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廣州富力地產股份有限公司
GUANGZHOU R&F PROPERTIES CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 2777)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcement of Guangzhou R&F Properties Co., Ltd. (the “**Company**”) dated 12 January 2017 in relation to the issue of Option Notes by Easy Tactic Limited (the “**Announcement**”). All terms used herein have the same meaning as defined in the Announcement, unless otherwise defined.

Please refer to the attached supplemental offering memorandum dated 12 January 2017 in relation to the Notes (the “**Supplemental Offering Memorandum**”), which has been published on the website of Singapore Exchange Securities Trading Limited on 31 January 2017.

The posting of the Supplemental Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

By order of the Board
Guangzhou R&F Properties Co., Ltd.
Michael Lee
Joint Company Secretary

Hong Kong, 1 February 2017

As at the date of this announcement, the executive directors of the Company are Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; the non-executive directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive directors are Mr. Lai Ming, Joseph, Mr. Zheng Ercheng and Mr. Ng Yau Wah, Daniel.

** for identification purpose only*

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE U.S.

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

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

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

The following supplemental offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the “EU Prospectus Directive”). The following supplemental offering memorandum has been prepared on the basis that any offers of Option Notes (as defined in the following supplemental offering memorandum) offered hereby made to persons in any Member State of the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to publish a prospectus in connection with offers of such Option Notes.

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

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

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This supplemental offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Ltd., Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, AMTD Asset Management Limited, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch as joint bookrunners and joint lead managers (collectively, the “Option Notes Joint Bookrunners” and the “Option Notes Joint Lead Managers”), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the supplemental offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Option Notes Joint Bookrunners and the Option Notes Joint Lead Managers.

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

SUPPLEMENTAL OFFERING MEMORANDUM

CONFIDENTIAL

Easy Tactic Limited
怡略有限公司

(A company incorporated in the British Virgin Islands with limited liability)

US\$460,000,000 5.75% Senior Notes due 2022
(to be consolidated and form a single series with
the US\$265,000,000 5.75% Senior Notes Due 2022 to be issued on 13 January 2017)Unconditionally and Irrevocably Guaranteed by
R&F Properties (HK) Company Limited
(A company incorporated in Hong Kong)

a wholly owned subsidiary of

Guangzhou R&F Properties Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)



廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

Issue Price: 99.146%, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017

Easy Tactic Limited (the "Issuer") is offering 5.75% Senior Notes due 2022 in the aggregate principal amount of US\$460,000,000 (the "Option Notes"). The Option Notes are unconditionally and irrevocably guaranteed on a joint and several basis by R&F Properties (HK) Company Limited ("R&F HK") and by certain other subsidiaries (collectively, the "Subsidiary Guarantors") of Guangzhou R&F Properties Co., Ltd. (the "Company") and holders of the Notes will have the benefit of charges over the shares of the Issuer and certain subsidiaries of R&F HK and a charge over a US dollar interest reserve account. The Option Notes shall be consolidated and form a single series with the US\$265,000,000 5.75% Senior Notes Due 2022 to be issued by the Issuer on 13 January 2017 (the "Firm Notes" and, together with the Option Notes, the "Notes"). The Option Notes are to be issued by the Issuer through the exercise of an option granted by the Issuer pursuant to the subscription agreement dated 30 December 2016, as amended by a supplemental subscription agreement dated 12 January 2017. The Option Notes have the same terms and conditions as the Firm Notes in all respects except for the issue date. Upon the issuance of the Firm Notes and the Option Notes, the Option Notes will be immediately fungible with the Firm Notes and the aggregate principal amount of outstanding Notes will be US\$725,000,000. This supplemental offering memorandum incorporates the information contained in the attached offering memorandum dated 30 December 2016 (the "Original Offering Memorandum") and should be read in conjunction with the Original Offering Memorandum. The information in this supplemental offering memorandum supplements the Original Offering Memorandum and to the extent that there is any inconsistency between any information in this supplemental offering memorandum and the information in the Original Offering Memorandum, the information in this supplemental offering memorandum shall prevail. Terms used but not defined herein shall have the meanings given to them in the Original Offering Memorandum.

The Notes will bear interest at the rate of 5.75% per annum and will mature on 13 January 2022. Interest on the Notes will be payable semi-annually in arrear on 13 January and 13 July of each year, beginning 13 July 2017.

The Issuer may at its option redeem the Notes, in whole or in part, on or after 13 January 2020, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, at any time prior to 13 January 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined in "Terms and Conditions of the Notes") and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in "Terms and Conditions of the Notes"), the Issuer may be required to purchase the Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will rank (1) as the direct, unsubordinated, unconditional and secured obligations of the Issuer, (2) *pari passu* and without preference or priority among themselves, (3) effectively subordinated to the other secured obligations of R&F HK, the other Subsidiary Guarantors, the Company and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of subsidiaries which are not Subsidiary Guarantors or JV Subsidiary Guarantors. In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral".

For a more detailed description, see the section entitled "Terms and Conditions of the Notes".

The Company will enter into a keepwell deed (the "Keepwell Deed") with the Issuer, R&F HK and Citicorp International Limited as trustee of the Notes (the "Trustee") as more fully described in "Description of the Keepwell Deed". The Company and R&F HK will also enter into a deed of equity interest purchase undertaking with the Trustee (the "Equity Interest Purchase Undertaking") as more fully described in "Description of the Equity Interest Purchase Undertaking". Neither the Keepwell Deed nor the Equity Interest Purchase Undertaking constitutes a guarantee by the Company of the Notes.

Investing in the Notes involves risks. See the section entitled "Risk Factors" commencing on page 19 in the Original Offering Memorandum.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Notes are expected to be rated "BB" by Fitch Ratings ("Fitch"). The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

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

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資2015 2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on 14 September 2015 which came into effect on the same day and the Notice on Issuing the Provisional Rules on the Pilot Reform of Offshore Debt Size Control (廣東省發展改革委關於印發外債規模管理改革試點暫行辦法的通知) (the "Guangdong DRC Notice") promulgated by Guangdong Provincial Development and Reform Commission (the "Guangdong DRC") on 18 October 2016, the Company has registered the issuance of the Notes with Guangdong DRC and obtained a certificate from Guangdong DRC dated 7 November 2016 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Notes to be reported to Guangdong DRC within 10 PRC working days after the issue date of the Notes.

The Option Notes will be evidenced by a global certificate (the "Global Certificate"), in registered form, which is expected to be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") and issued on or around 13 January 2017 in connection with the issuance of the Firm Notes. Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the respective Global Certificate. It is expected that the Global Certificate will be marked up to reflect the issuance of the Option Notes on 20 January 2017 or such later date as may be agreed by the Company and the Option Notes Joint Lead Managers (such date, the "Option Closing Date").

Joint Bookrunners and Joint Lead Managers

Goldman Sachs
AMTDChina Merchants Securities (HK)
CitigroupDeutsche Bank
Morgan StanleyHaitong International
UBS

The date of this supplemental offering memorandum is 12 January 2017.

* For identification only

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

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

IN CONNECTION WITH THIS OFFERING, EACH OF GOLDMAN SACHS (ASIA) L.L.C., CHINA MERCHANTS SECURITIES (HK) CO., LTD., DEUTSCHE BANK AG, HONG KONG BRANCH, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, AMTD ASSET MANAGEMENT LIMITED, CITIGROUP GLOBAL MARKETS LIMITED, MORGAN STANLEY & CO. INTERNATIONAL PLC AND UBS AG HONG KONG BRANCH (THE “OPTION NOTES JOINT LEAD MANAGERS”), OR ANY PERSON ACTING FOR SUCH OPTION NOTES JOINT LEAD MANAGER, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILISING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES ARE MADE, AND IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF EACH SUCH OPTION NOTES JOINT LEAD MANAGER, AND NOT FOR US OR ON OUR BEHALF.

We, having made all reasonable inquiries, confirm that: (i) this supplemental offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this supplemental offering memorandum and the Option Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the Option Notes; (ii) the statements contained in this supplemental offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this supplemental offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after

considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Option Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the Option Notes, make this supplemental offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

Save as disclosed in this supplemental offering memorandum, no material new information, material mistake or inaccuracy relating to the information contained on the Original Offering Memorandum has arisen or been noted, as the case may be, since the publication of the Original Offering Memorandum.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the Offering. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the sections entitled “Terms and Conditions of the Notes” in the Original Offering Memorandum. For a more complete description of the Notes, see “Terms and Conditions of the Notes” in the Original Offering Memorandum.

Terms of the Offering

Issuer	Easy Tactic Limited 怡略有限公司.
Issue	US\$460,000,000 5.75% Senior Notes due 2022 (the “Option Notes”) to be consolidated and form a single series with the US\$265,000,000 5.75% Senior Notes Due 2022 to be issued on 13 January 2017 (the “Firm Notes” and, together with the Option Notes, the “Notes”).
Issue Price	99.146%, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017.
Form and Denomination .	The Option Notes will be issued in registered form without coupons attached in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Interest	The Notes will bear interest from and including 13 January 2017 at the rate of 5.75% per annum, payable semi-annually in arrear on 13 January and 13 July in each year.
Ranking of the Notes . . .	The Notes are: • the direct, unsubordinated, unconditional and secured obligations of the Issuer; • <i>pari passu</i> and without preference or priority among themselves; • guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis; and • effectively subordinated to the other secured obligations of the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors to the extent of the value of the assets serving as security therefor. In addition, the Notes will be secured by certain security over the Collateral as described below under the caption “— Security” and: • are entitled to a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

- rank effectively senior in right of payment with respect to the value of the Collateral pledged by the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees
and JV Subsidiary
Guarantees

R&F HK and each of the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will unconditionally and irrevocably guarantee, jointly and severally, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. As of the Original Issue Date, the initial Subsidiary Guarantors consist of R&F HK and certain other subsidiaries of the Company as set forth in “Terms and Conditions of the Notes — Guarantee and Security — Subsidiary Guarantees”. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The initial Subsidiary Guarantors do not currently have significant operations” in the Original Offering Memorandum.

R&F Properties (UK) Company Limited, Trillion Chance Limited (兆運有限公司), Caifu Holdings Limited (彩富控股有限公司), Estate Link Investments Limited (BVI) (智領投資有限公司), R&F Properties (Macau) Company Limited, Tian Li Property Construction SDN BHD, Tian Li Property Management SDN BHD, Smart Candid Limited, Celestial Estate Limited, Advanced Business Park (Qingdao) Investment Limited (總部基地(青島)投資有限公司), Best Always Investments Limited (BVI) (恆佳投資有限公司) Skylane Holding Limited, R&F Korea Co., Ltd. and Sunlight Jolly Limited (BVI) (明樂有限公司) (the “Initial Offshore Non-Guarantor Subsidiaries”), will not guarantee the obligations of the Issuer under the Trust Deed or the Notes on the Original Issue Date.

The Company will cause each of its future Restricted Subsidiaries (other than the Issuer, the PRC Subsidiaries, any Exempted Subsidiary, any Exempted Finance Subsidiary and any Listed Subsidiary) to, jointly and severally, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment of all sums expressed to be payable by the Issuer under the Notes. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary (and its Restricted Subsidiaries) organised outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 20% of Total Assets.

A Subsidiary Guarantee and a JV Subsidiary Guarantee may be released or replaced in certain circumstances. See “Terms and Conditions of the Notes — Guarantee and Security — The Subsidiary Guarantees” in the Original Offering Memorandum.

Ranking of Subsidiary
Guarantees and JV
Subsidiary Guarantees .

The Subsidiary Guarantee of each Subsidiary Guarantor is a general obligation of such Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), at all times rank *pari passu* with all of the other present and future unsecured and unsubordinated obligations of such Subsidiary Guarantor.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor is a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law, be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor and at all times rank *pari passu* with all of the other present and future unsecured and unsubordinated obligations of such JV Subsidiary Guarantor.

Security

The Company will, for the benefit of the holders of the Notes, cause R&F HK and the initial Subsidiary Guarantor Pledgors to charge to, *inter alia*, the Security Trustee the Capital Stock of the Issuer and the initial Subsidiary Guarantors other than that of R&F HK (subject to Permitted Liens and Permitted Pari Passu Secured Indebtedness).

In addition, the Issuer will for the benefit of the holders of the Notes, charge in favour of the Security Trustee an Interest Reserve Account established in the name of the Issuer with the Account Bank.

See “Terms and Conditions of the Notes — Security” in the Original Offering Memorandum.

Interest Reserve Account .

On the Option Closing Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account such amounts as are necessary to ensure that the Reserve Fund for the Interest Reserve Account are not less than the required Minimum Balance as of the Option Closing Date.

The Interest Reserve Account will be established with the Account Bank.

So long as there has not occurred any Default (as defined in the Conditions), the Issuer may by written notice to the Account Bank direct the Account Bank to release such amount from the Interest Reserve Account for payment of any interest due and payable under the Notes.

The Issuer shall, after each such withdrawal is made, deposit an amount into the Interest Reserve Account within 30 days after such withdrawal to ensure that the Reserve Fund after such deposit shall be no less than the Minimum Balance as of the deposit date.

See “Terms and Conditions of the Notes — Covenants — Covenants in respect of the Collateral” in the Original Offering Memorandum.

Intercreditor Agreement . The Issuer, the Subsidiary Guarantor Pledgors, the 2019 Notes Trustee (as defined in “Terms and Conditions of the Notes”), the 2019 Notes Security Trustee (as defined in “Terms and Conditions of the Notes”), the 2020 Notes Trustee (as defined in “Terms and Conditions of the Notes”), the 2020 Notes Security Trustee (as defined in “Terms and Conditions of the Notes”) and the Collateral Agent (as defined in “Terms and Conditions of the Notes”) have entered into the Intercreditor Agreement, to which the Trustee and the Security Trustee will accede, pursuant to which the parties thereto have agreed, among other things, that (a) the parties shall share equal priority and pro rata entitlement in and to the Collateral; (b) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (c) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Use of Proceeds We intend to use the net proceeds to finance our overseas projects under China’s “One Belt One Road” strategy and for general corporate purposes.

Redemption for Taxation
Reasons Subject to certain exceptions and as more fully described in “Terms and Conditions of the Notes”, the Issuer may redeem all of the Notes at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption if the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See “Terms and Conditions of the Notes — Redemption and purchase — Redemption for taxation reasons” in the Original Offering Memorandum.

Repurchase of Notes
Upon Change of
Control Triggering
Event Upon the occurrence of a Change of Control Triggering Event, the Issuer may be required to purchase Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. See “Terms and Conditions of the Notes — Redemption and purchase — Change of control” in the Original Offering Memorandum.

Make Whole Redemption	At any time prior to 13 January 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined herein) for the Notes and accrued and unpaid interest, if any, to (but not including) the redemption date. See “Terms and Conditions of the Notes — Make whole redemption” in the Original Offering Memorandum.
Optional Redemption . . .	The Issuer may at its option redeem the Notes, in whole or in part, on or after 13 January 2020, at the redemption prices set forth in “Terms and Conditions of the Notes” plus accrued and unpaid interest, if any, to (but not including) the redemption date. See “Terms and Conditions of the Notes — Optional Redemption” in the Original Offering Memorandum.
Covenants	The Notes, the Trust Deed and the Subsidiary Guarantees will limit the Issuer from incurring indebtedness and limit the ability of the Company and its Restricted Subsidiaries, to, among other things: ● incur or guarantee additional indebtedness; ● issue disqualified or preferred stock; ● declare dividends on its capital stock or purchase or redeem capital stock; ● make investments or other specified restricted payments; ● issue or sell capital stock of Restricted Subsidiaries; ● guarantee indebtedness by Restricted Subsidiaries; ● sell assets; ● create liens; ● enter into sale and leaseback transactions; ● enter into agreements that limit the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; ● enter into transactions with shareholders or affiliates; and ● effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in “Terms and Conditions of the Notes — Covenants”.

Keepwell Deed	The Company will enter into a keepwell deed with the Issuer, R&F HK and the Trustee as more fully described in “Description of the Keepwell Deed”.	
Equity Interest Purchase Undertaking	The Company will enter into a deed of equity interest purchase undertaking with R&F HK and the Trustee as more fully described in “Description of the Equity Interest Purchase Undertaking”.	
Book-entry Only.	The Notes will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Option Notes represented by the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.	
Delivery of the Option Notes	The Issuer expects to make delivery of the Option Notes against payment in same-day funds on or about 20 January 2017.	
Trustee and Security Trustee.	Citicorp International Limited.	
Principal Agent for the Notes	Citibank, N.A., London Branch.	
Registrar for the Notes . .	Citigroup Global Markets Deutschland AG.	
Listings	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).	
Ratings	The Notes are expected to be rated “BB” by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	
Security Codes	ISIN	Common Code
	XS1545743442	154574344
Governing Law	The Notes and the Trust Deed governing the Notes will be governed by and will be construed in accordance with the laws of England.	

NDRC Pre-Issue Registration	The Company has registered the issuance of the Notes with Guangdong DRC and obtained a certificate from Guangdong DRC dated 7 November 2016 evidencing such registration. Pursuant to the registration certificate, the effective issuance period for the Notes is up to the end of December 2016. However, there is no definition or interpretation as to what constitutes the completion of the issuance of the Notes. See “Risk Factors — Risks Relating to the Real Estate Industry in China — Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you” in the Original Offering Memorandum.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors” in the Original Offering Memorandum.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of Option Notes, after deducting the underwriting discounts and commissions and other estimated expenses, will be approximately US\$449.7 million. We intend to use the net proceeds to finance our overseas projects under China's "One Belt One Road" strategy and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Terms and Conditions of the Notes — Certain definitions" in the Original Offering Memorandum).

CAPITALISATION AND INDEBTEDNESS

The following table sets forth on an actual basis the borrowings and capitalisation of the Group as of 30 June 2016 and as adjusted to give effect to the Firm Notes and Option Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. Except as otherwise disclosed herein, there has been no material change in our capitalisation since 30 June 2016.

	As of 30 June 2016			
	Actual		As Adjusted	
	CNY	US\$	CNY	US\$
	(in thousands)			
Cash	28,975,608	4,359,922	33,553,676	5,048,778
Restricted cash	8,259,825	1,242,845	8,398,352	1,263,689
Total	<u>37,235,433</u>	<u>5,602,767</u>	<u>41,952,028</u>	<u>6,312,467</u>
Short-term borrowing⁽¹⁾				
Bank loans — secured	1,325,500	199,446	1,325,500	199,446
Bank loans — unsecured	423,000	63,648	423,000	63,648
Other borrowings	3,073,330	462,440	3,073,330	462,440
Current portion of long-term borrowings	25,064,136	3,771,368	25,064,136	3,771,368
Total short-term borrowings	<u>29,885,966</u>	<u>4,496,903</u>	<u>29,885,966</u>	<u>4,496,903</u>
Long-term borrowings⁽²⁾⁽³⁾				
Bank loans — secured	33,656,560	5,064,259	33,656,560	5,064,259
Bank loans — unsecured	5,462,100	821,875	5,462,100	821,875
Corporate Bonds	33,707,496	5,071,923	33,707,496	5,071,923
Senior notes ⁽⁴⁾	10,506,758	1,580,938	10,506,758	1,580,938
Firm Notes to be issued	—	—	1,727,934	260,000
Option Notes to be issued	—	—	2,988,661	449,700
Other borrowings	19,578,348	2,945,929	19,578,348	2,945,929
Finance lease liabilities	36,930	5,557	36,930	5,557
Less: current portion of long-term borrowings	(25,064,136)	(3,771,368)	(25,064,136)	(3,771,368)
Total long-term borrowings	<u>77,884,056</u>	<u>11,719,113</u>	<u>82,600,651</u>	<u>12,428,813</u>
Equity				
Issued capital	805,592	121,216	805,592	121,216
Other reserves	4,454,644	670,285	4,454,644	670,285
Share held for Share Award Scheme	—	—	—	—
Retained earnings	37,629,038	5,661,993	37,629,038	5,661,993
Perpetual capital instruments	2,404,067	361,737	2,404,067	361,737
Non-controlling interests	318,367	47,904	318,367	47,904
Total equity	<u>45,611,708</u>	<u>6,863,135</u>	<u>45,611,708</u>	<u>6,863,135</u>
Total capitalisation⁽⁵⁾	<u>123,495,764</u>	<u>18,582,248</u>	<u>128,212,359</u>	<u>19,291,948</u>

Notes:

- (1) Short-term borrowings include the current portion of long-term borrowings.
- (2) Long-term borrowings exclude the current portion of long-term borrowings.
- (3) We have also, since 30 June 2016, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes.
- (4) Senior notes include the 2019 Notes with a total outstanding principal amount of US\$1,000.0 million and the 2020 Notes with a total outstanding principal amount of US\$600.0 million. We have redeemed the 2019 Notes in full on 10 January 2017 and will redeem the 2020 Notes in full on 24 January 2017. Upon completion of the redemption of 2019 Notes, all the outstanding 2019 Notes have been cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2019 Notes, have been removed as a secured party under the Intercreditor Agreement; upon completion of the redemption of the 2020 Notes, all the outstanding 2020 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2020 Notes, will be removed as a secured party under the Intercreditor Agreement. See “Description of Material Indebtedness and Other Obligations — 2020 Notes” and “Description of Material Indebtedness and Other Obligations — 2019 Notes” in the Original Offering Memorandum.
- (5) Total capitalisation includes total long-term borrowings plus total equity.

PLAN OF DISTRIBUTION

The Issuer, the Company, R&F HK and the other Subsidiary Guarantors have entered into a supplemental subscription agreement dated 12 January 2017 (the “Supplemental Subscription Agreement”) with Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Ltd., Deutsche Bank AG, Hong Kong Branch, Haitong International Securities Company Limited, AMTD Asset Management Limited, Citigroup Global Markets Limited, Morgan Stanley & Co. International plc and UBS AG Hong Kong Branch (collectively, the “Option Notes Joint Lead Managers”) and CMB International Capital Limited (together with the Option Notes Joint Lead Managers, the “Joint Lead Managers”), which amended and supplemented the subscription agreement dated 30 December 2016 (as amended and supplemented by the Supplemental Subscription Agreement, the “Subscription Agreement”) among the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, Goldman Sachs (Asia) L.L.C., CMB International Capital Limited, Deutsche Bank AG, Hong Kong Branch and Haitong International Securities Company Limited. Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Issuer has agreed to sell to the Option Notes Joint Lead Managers, and the Option Notes Joint Lead Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Option Notes in the following amounts:

<u>Notes</u>	<u>Principal Amount</u>
Goldman Sachs (Asia) L.L.C.	US\$138,000,000
China Merchants Securities (HK) Co., Ltd.	US\$23,000,000
Deutsche Bank AG, Hong Kong Branch	US\$73,600,000
Haitong International Securities Company Limited	US\$73,600,000
AMTD Asset Management Limited	US\$36,800,000
Citigroup Global Markets Limited	US\$46,000,000
Morgan Stanley & Co. International plc	US\$46,000,000
UBS AG Hong Kong Branch	US\$23,000,000
Total	<u>US\$460,000,000</u>

The Issuer has granted Goldman Sachs (Asia) L.L.C. an option, which may be exercised by it in whole or in part and on one or more occasions, at any time within a 30-day period from the date of the Original Offering Memorandum to require the Issuer to issue additional Notes at any time to it or to anyone as it may direct. The total aggregate size of the Notes (including any additional Notes issued pursuant to such option) will not exceed the amount approved by the Guangdong DRC.

The Subscription Agreement provides that the Issuer, the Company, R&F HK and the other Subsidiary Guarantors jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. The Joint Lead Managers or certain of their respective affiliates may purchase Notes net of commission and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

The Joint Lead Managers may also, as initial purchasers, on-sell the Notes to investors at prices which may be different from the issue price of the Notes.

In connection with the issue of the Notes, each Joint Lead Manager (or any person acting on its behalf) may purchase and sell the notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, stabilising transactions and purchases to cover positions created by short sales. These activities may stabilise, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market in doing such transactions, the Joint Lead Managers shall act as principal and not as agent of the issuer. There is no assurance, however, that the Joint Lead Managers will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made, and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of the Notes and 60 days after the date of allotment of the relevant tranche of Notes. If the Joint Lead Managers create a short position in the Notes in connection with the offering, the Joint Lead Managers may cover that short position by purchasing Notes in the open market or by exercising all or a part of the Joint Lead Managers' option to purchase additional Notes described above. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

Each of the Issuer, the Company, R&F HK and the other Subsidiary Guarantors have agreed that it will not, directly or indirectly, until 30 days after the issuance of the Option Notes, issue or offer any debt securities to the public or through a private placement in which the Issuer, the Company, R&F HK or any other Subsidiary Guarantor is the borrower, debtor, issuer or guarantor (other than any drawdown under any credit line or facility which exists on or before the date of this Agreement and any notes offered in the PRC), unless it has obtained the prior written consent of each Joint Lead Manager.

We expect that delivery of the Option Notes will be made against payment therefor on or about the Closing Date, which will be on or about the fifth business day following the pricing date of the Option Notes (this settlement cycle being referred to as "T + 5"). Accordingly, purchasers who wish to trade the Option Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Option Notes initially will settle in T + 5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Option Notes who wish to trade the Option Notes on the date of pricing or succeeding business days should consult their own legal advisor.

The distribution of this supplemental offering memorandum or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this supplemental offering memorandum are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This supplemental offering memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Selling Restrictions

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes, including any Option Notes, except in either case in accordance with Regulation S under the Securities Act.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and sold only to non-U.S. persons outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offering of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), an offer or sale of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, R&F HK or the Subsidiary Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws

of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each of the Joint Lead Managers has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Bermuda

Each of the Joint Lead Managers has represented, warranted and agreed that it has not directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes to any person, firm or company regarded as a resident of Bermuda for exchange control purposes.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes to the public in the British Virgin Islands.

United Arab Emirates

The Notes have not been and will not be offered, sold or publicly promoted or advertised by the Joint Lead Managers in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities.

REGISTERED OFFICES

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Guangzhou 510623 China

Place of Business in Hong Kong of the Company
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INDEPENDENT AUDITOR

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Central, Hong Kong

Easy Tactic Limited
怡略有限公司

(A company incorporated in the British Virgin Islands with limited liability)

US\$265,000,000 5.75% Senior Notes due 2022
(with an upside option)

Unconditionally and Irrevocably Guaranteed by
R&F Properties (HK) Company Limited
(A company incorporated in Hong Kong)

a wholly owned subsidiary of

Guangzhou R&F Properties Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)



廣州富力地產股份有限公司

GUANGZHOU R&F PROPERTIES CO., LTD.*

Issue Price: 99.146%

Easy Tactic Limited (the "Issuer") is offering 5.75% Senior Notes due 2022 in the aggregate principal amount of US\$265,000,000 (the "Notes"). The Notes are unconditionally and irrevocably guaranteed on a joint and several basis by R&F Properties (HK) Company Limited ("R&F HK") and by certain other subsidiaries (collectively, the "Subsidiary Guarantors") of Guangzhou R&F Properties Co., Ltd. (the "Company") and holders of the Notes will have the benefit of charges over the shares of the Issuer and certain subsidiaries of R&F HK and a charge over a US dollar interest reserve account.

The Notes will bear interest at the rate of 5.75% per annum and will mature on 13 January 2022. Interest on the Notes will be payable semi-annually in arrear on 13 January and 13 July of each year, beginning 13 July 2017.

The Issuer may at its option redeem the Notes, in whole or in part, on or after 13 January 2020, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, at any time prior to 13 January 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined in "Terms and Conditions of the Notes") and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in "Terms and Conditions of the Notes"), the Issuer may be required to purchase the Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will rank (1) as the direct, unsubordinated, unconditional and secured obligations of the Issuer, (2) *pari passu* and without preference or priority among themselves, (3) effectively subordinated to the other secured obligations of R&F HK, the other Subsidiary Guarantors, the Company and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of subsidiaries which are not Subsidiary Guarantors or JV Subsidiary Guarantors. In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral".

For a more detailed description, see the section entitled "Terms and Conditions of the Notes".

The Company will enter into a keepwell deed (the "Keepwell Deed") with the Issuer, R&F HK and Citicorp International Limited as trustee of the Notes (the "Trustee") as more fully described in "Description of the Keepwell Deed". The Company and R&F HK will also enter into a deed of equity interest purchase undertaking with the Trustee (the "Equity Interest Purchase Undertaking") as more fully described in "Description of the Equity Interest Purchase Undertaking". Neither the Keepwell Deed nor the Equity Interest Purchase Undertaking constitutes a guarantee by the Company of the Notes.

Investing in the Notes involves risks. See the section entitled "Risk Factors" commencing on page 19.

Approval in-principle has been received for the listing and quotation of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Issuer has granted the Joint Lead Managers an option, which may be exercised by the Joint Lead Managers in whole or in part and on one or more occasions, at any time within a 30-day period from the date of this offering memorandum, to subscribe for additional Notes (the "Option Notes"). The total aggregate size of the Notes (including the Option Notes) will not exceed the amount approved by the Guangdong DRC (as defined below). Unless the context otherwise requires, references to the "Notes" in this offering memorandum include any Option Notes issued by the Issuer pursuant to the exercise of the option by the Joint Lead Managers.

The Notes are expected to be rated "BB" by Fitch Ratings ("Fitch"). The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

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

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on 14 September 2015 which came into effect on the same day and the Notice on Issuing the Provisional Rules on the Pilot Reform of Offshore Debt Size Control (廣東省發展改革委關於印發外債規模管理改革試點暫行辦法的通知) (the "Guangdong DRC Notice") promulgated by Guangdong Provincial Development and Reform Commission (the "Guangdong DRC") on 18 October 2016, the Company has registered the issuance of the Notes with Guangdong DRC and obtained a certificate from Guangdong DRC dated 7 November 2016 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Notes to be reported to Guangdong DRC within 10 PRC working days after the issue date of the Notes.

The Notes will be evidenced by a global certificate (the "Global Certificate"), in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV, ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the respective Global Certificate. It is expected that delivery of the Global Certificates will be made on 13 January 2017 or such later date as may be agreed by the Company and the Joint Lead Managers (as defined below) (such date, the "Closing Date").

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs CMB International Deutsche Bank Haitong International

The date of this offering memorandum is 30 December 2016.

* For identification only

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC as amended by Directive 2010/73/EC as implemented in the Member States of the European Economic Area (the “EEA”) (the “EU Prospectus Directive”). This offering memorandum has been prepared on the basis that any offers of the Notes will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to publish a prospectus in connection with offers of such Notes.

Within the United Kingdom, the communication of the following offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5)

of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following offering memorandum or any of its contents.

IN CONNECTION WITH THIS OFFERING, EACH OF GOLDMAN SACHS (ASIA) L.L.C., CMB INTERNATIONAL CAPITAL LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH AND HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED (THE “JOINT LEAD MANAGERS”), OR ANY PERSON ACTING FOR SUCH JOINT LEAD MANAGER, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILISING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IN DOING SUCH TRANSACTIONS, THE JOINT LEAD MANAGERS SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER. HOWEVER, THERE IS NO OBLIGATION ON THE STABILISING MANAGERS (OR ANY PERSON ACTING FOR ANY OF THEM) TO DO THIS. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF EACH SUCH JOINT LEAD MANAGER, AND NOT FOR US OR ON OUR BEHALF.

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

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

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes.

The Joint Lead Managers have not separately verified the information contained in this offering memorandum. No representation or warranty, express or implied, is made by the Joint Lead Managers or Citicorp International Limited (the “Trustee” and the “Security Trustee”) or the Agents (as defined in “Terms and Conditions of the Notes”) or any of their respective affiliates, directors, representatives or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates, directors, representatives or advisors accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or on their behalf in connection with the Issuer or the Group (as defined below) or the issue and offering of the Notes. The Joint Lead Managers, the Trustee, the Security Trustee and the Agents and their respective affiliates, directors, representatives and advisors accordingly disclaim any and all liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Trust Deed (as defined below) and other transaction documents described herein. The information provided is not all inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Joint Lead Managers may have conducted with respect to the information contained herein, the Joint Lead Managers do not accept any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

None of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents nor any of their respective affiliates, directors, representatives or advisors undertakes to review the financial condition or affairs of the Company during the life of the arrangements contemplated by this offering memorandum nor to advise any investor or prospective investor in the Notes of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Security Trustee, the Agents or any of their respective affiliates, directors, representatives or advisors.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates, directors, representatives or advisors in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorised to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorised officers and employees in connection with investors’ examination of us and the terms of the offering of the Notes) and, if given or made, any such other

information or representation should not be relied upon as having been authorised by us, the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates, directors, representatives or advisors.

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

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

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

The appointment of the Trustee and the Agents (as defined in “Terms and Conditions of the Notes”) remains subject to completion of their regulatory and internal compliance procedures.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “Company”, the “Group” and words of similar import, we are referring to Guangzhou R&F Properties Co., Ltd. itself, or to Guangzhou R&F Properties Co., Ltd. and its consolidated subsidiaries, as the context requires. In this offering memorandum, references to the “Board” or “Board of Directors” refer to the board of directors of the Company. When we use the term the “Issuer”, we are referring to Easy Tactic Limited 怡略有限公司, a company with limited liability incorporated in the British Virgin Islands (the “BVI”). References to “R&F HK” are to R&F Properties (HK) Company Limited.

Market data, industry forecasts and PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or their respective affiliates, directors, representatives and advisors, and neither we, the Joint Lead Managers, the Trustee, the Security Trustee or the Agents nor our or their respective affiliates, directors, representatives and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may

have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecasts and PRC and property industry statistics.

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of CNY6.6459 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2016, all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7591 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2016, and all translations from Malaysia ringgits to U.S. dollars were made at the rate of MYR4.0250 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Malaysia ringgits as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2016. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information”.

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

The financial statements and the financial statements of R&F HK are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

Unless the context otherwise requires, references to “2013”, “2014” and “2015” in this offering memorandum are to our financial years ended 31 December 2013, 2014 and 2015, respectively.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of CNY0.25, in our share capital.

“2014 Corporate Bonds” means the CNY5.5 billion 6.85% bonds issued by the Company on 23 October 2009. The 2014 Corporate Bonds had been redeemed in full as of 23 October 2014.

“2015 Corporate Bonds” means the CNY6.5 billion 4.95% bonds issued by the Company on 13 July 2015. The bonds are due 2020. For further information relating to the 2015 Corporate Bonds, see “Description of Material Indebtedness and Other Obligations—2015 Corporate Bonds”.

“2016 Corporate Bonds” means the five tranches of public and non-public domestic corporate bonds issued by the Company on 11 January 2016, 22 January 2016, 7 April 2016, 16 May 2016 and 30 May 2016, respectively, including the 2016 Public Corporate Bonds and the 2016 Non-public Corporate Bonds. See “Description of Material Indebtedness and Other Obligations—2016 Corporate Bonds”.

“2016 Non-public Corporate Bonds” means the two tranches of non-public domestic corporate bonds issued by the Company on 16 May 2016 and 30 May 2016, respectively. See “Description of Material Indebtedness and Other Obligations—2016 Corporate Bonds—2016 Non-public Corporate Bonds”.

“2016 Public Corporate Bonds” means the three tranches of public domestic corporate bonds issued by the Company on 11 January 2016, 22 January 2016 and 7 April 2016, respectively. See “Description of Material Indebtedness and Other Obligations—2016 Corporate Bonds—2016 Public Corporate Bonds”.

“2011 Notes” means the US\$150,000,000 principal amount 10.875% senior notes due 2016 (the “Original 2016 Notes”) and the CNY2,612,000,000 principal amount 7.00% senior notes due 2014 (the “2014 Notes”) issued by Big Will Investments Limited 鴻志投資有限公司 (the “2011 Notes Issuer”) on 29 April 2011. “Further 2016 Notes” means the US\$238,000,000 principal amount of 10.875% senior notes due 2016 issued by the 2011 Notes Issuer on 29 August 2012, which are consolidated and formed a single series with the Original 2016 Notes (as so consolidated, the “2016 Notes”). The 2016 Notes and the 2014 Notes are collectively referred to as the “2011 Notes”. The 2011 Notes were unconditionally and irrevocably guaranteed on a joint and several basis by R&F HK and certain other subsidiaries of the Company. The 2011 Notes Issuer is a wholly owned subsidiary of R&F HK. The 2014 Notes matured on 29 April 2014 and have been fully repaid. The 2016 Notes matured on 29 April 2016 and have been fully repaid. No 2011 Note remains outstanding.

“2020 Notes” means the US\$400,000,000 principal amount 8.75% senior notes due 2020 (the “Original 2020 Notes”) issued by Caifu Holdings Limited 彩富控股有限公司 (the “2020 Notes Issuer”) on 24 January 2013, and the US\$200,000,000 principal amount of 8.75% senior notes due 2020 issued by the 2020 Notes Issuer on 6 February 2013 (the “Further 2020 Notes”), which are consolidated and forms a single series with the Original 2020 Notes. The 2020 Notes are unconditionally and irrevocably guaranteed on a joint and several basis by R&F HK and certain other subsidiaries of the Company. The 2020 Notes Issuer is a wholly owned subsidiary of R&F HK. The 2020 Notes will be redeemed in full on 24 January 2017 with internal funds. Upon completion of the redemption, all the outstanding 2020 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2020 Notes, will be removed as a secured party under the Intercreditor Agreement. See “Description of Material Indebtedness and Other Obligations — 2020 Notes”.

“2019 Notes” means the US\$1,000,000,000 principal amount 8.50% senior notes due 2019 issued by Trillion Chance Limited 兆運有限公司 on 10 January 2014. The 2019 Notes are unconditionally and irrevocably guaranteed on a joint and several basis by R&F HK and certain other subsidiaries of the Company. The 2019 Notes will be redeemed in full on 10 January 2017 with internal funds. Upon completion of the redemption, all the outstanding 2019 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2019 Notes, will be removed as a secured party under the Intercreditor Agreement. See “Description of Material Indebtedness and Other Obligations — 2019 Notes”.

“MOFCOM” means the Ministry of Commerce of China.

“SAFE” means the State Administration of Foreign Exchange.

“SAIC” means the State Administration for Industry and Commerce.

“Tier-I cities” mean Beijing, Shanghai, Shenzhen and Guangzhou.

“Tier-II cities” mean the capitals of provinces in the PRC (excluding Guangzhou), municipalities under the direct administration of the PRC central government (excluding Shanghai and Beijing), and the capitals of the autonomous regions in the PRC.

“Tier-III cities” mean medium- to small-sized cities of each province that are strategically significant and/or relatively developed.

Capitalised terms used but not otherwise defined in this offering memorandum shall have the meanings given to them in the sections entitled “Terms and Conditions of the Notes”.

A property is considered sold after we have executed the purchase contract with a customer and the property is ready for delivery to the customer. Unless otherwise specified (i.e. “attributable GFA”), all site area and gross floor area (“GFA”) information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly-owned project companies. References to “sq.m.” are to the measurement unit of square meters.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus. In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

Totals presented in this offering memorandum may not total correctly because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial and operational information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, availability and cost of financing, pre-sale, pricing and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our projects under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange rates; and
- other factors beyond our control.

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

SUMMARY

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

Overview

We are a leading PRC property developer headquartered in Guangzhou, with an established presence in Beijing and its vicinity, Tianjin, Xi'an, Zhengzhou, Chongqing, Chengdu, Huizhou, Hainan, Shanghai and its vicinity, Taiyuan, Datong, Nanjing and its vicinity, Shenyang, Harbin, Hangzhou and its vicinity, Changsha and its vicinity, Meizhou, Guiyang, Wuxi, Baotou, Foshan, Zhuhai, Nanning, Fuzhou and its vicinity, Shijiazhuang, Shenzhen and Ningbo in the PRC, Johor Bahru in Malaysia and Melbourne and Brisbane in Australia. Founded in 1994, we integrate real estate design, development, engineering supervision, sales, property management, and investment in a single enterprise. We were ranked No. 1 in terms of overall strength among all property developers in China during 2005–2009 by the National Statistics Bureau, and ranked among “China’s Top 10 Listed Real Estate Companies in Terms of Overall Strength” during 2011–2016 by China Real Estate Association and China Real Estate Appraisal. We primarily develop and sell quality private residential properties in Guangzhou, Beijing, Tianjin and, more recently, other Chinese cities. In addition to the development and sale of residential properties, we develop, sell and lease commercial and office spaces. We currently own four shopping malls and two office buildings. We also engage in the development of hotels. As of the date of this offering memorandum, our hotel portfolio includes 14 hotels managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group, and Accor Hotels. We believe our investment properties and hotels will help further strengthen our brand name. In addition, we also engage in other ancillary property-related services including property management and property agency services.

We focus on medium- to high-end property developments and target the middle to upper-middle income residents in the cities where we have operations. Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China’s largest cities, capturing the opportunities presented by its rapidly growing economy. Along with the growth of our business in Guangzhou, we have built up sizable land bank in other top-tier cities such as Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou. In June 2016, we entered Shenzhen for the first time. Shenzhen has always been a competitive market given the low supply of land for auction. It is also one of the most mature and developed property markets among China’s tier-I cities. It enjoys the benefits of proximity to Hong Kong, fully developed road and railway infrastructures, a sizeable working class demographic and booming small to medium entrepreneurial businesses run by aspirational entrepreneurs. Having devoted a significant amount of time and resource to understanding the Shenzhen market and exploring the land bank resources available, we acquired an attributable GFA of 248,000 sq.m. With our entry into Shenzhen market, we plan to focus our business in five key areas: Guangzhou-Shenzhen, Beijing-Tianjin, the Yangtze River Delta, Taiyuan, and Hainan. We have also managed to expand in a prudent manner into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the impact of regulatory measures by leveraging our expertise and resources to diversify our property portfolio.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our revenue was CNY36,271.3 million, CNY34,705.4 million, CNY44,290.9 million (US\$6,664.4 million) and CNY22,389.4 million (US\$3,368.9 million), respectively. For the same periods, our profit was CNY14,235.0 million, CNY12,314.0 million, CNY14,207.1 million (US\$2,137.2 million) and CNY5,682.7 million (US\$855.1 million), respectively.

Our Competitive Strengths

We believe we have the following competitive strengths:

- proven track record of steady and organic growth with strong cash flow position;
- nationwide property developer with a geographically diversified portfolio of development projects and prudent land acquisition policy;
- leading developer mainly focusing on tier-I cities and tier-II cities, and established quality land bank in cities with significant growth potential;
- experience in large-scale developments and residential developments, high grade investment properties and luxury hotels;
- ability to attract internationally renowned venture partners including other PRC and Hong Kong developers and leading international hotel managers;
- prudent and disciplined expansion; and
- experienced and stable management team.

Our Business Strategies

Our goal is to continue to be one of the leading property developers in China. To achieve this goal, we plan to:

- maintain leadership position in key cities while enhancing our presence in other cities and overseas;
- continue to expand our business operations in a prudent manner;
- enhance value of our residential development with investment properties and other operations; and
- focus on geographic locations with attractive growth potentials, including tier-II cities and tier-III cities.

Recent Development

On 5 December 2016, R&F HK entered into an agreement (the “Korean JV Agreement”) with Caesars Korea Holding Company, LLC (“Caesars”), a limited liability company organized under the laws of the State of Delaware, the United States of America, in relation to the formation of a joint venture (the “Korean JV”) to develop, own and operate an integrated resort in Asia to be located on Yeongjong Island, Incheon, the Republic of Korea (the “Integrated Resort”). The Korean JV Agreement contemplates an initial equity contribution by each of R&F HK and Caesars to the

Korean JV in the amount of US\$30,500,000 (in cash or other property), subject to the fulfillment of certain conditions (the “Initial Closing”). Upon completion of the Initial Closing, each of R&F HK and Caesars will hold a 50% interest in the Korean JV, and the Korean JV will in turn acquire LOCZ Korea Corporation, a company (jusik hoesa) organised under the laws of Korea, from its current shareholders which are third parties not connected with us for the development, construction and operation of the Integrated Resort.

The Agreement contemplates potential further equity contributions by each of R&F HK and Caesars in the amount of up to US\$110,000,000 in cash. These further equity contributions would be made in four tranches. Each tranche would be subject to further conditions. On or prior to the date on which the final tranche of equity contribution is made, R&F HK will be required to further extend to the Korean JV a loan facility of not more than US\$100,000,000. We intend to fund such commitment with our internal resources.

The Korean JV provides an opportunity for us to further enhance our capabilities in the development and operation of entertainment focused integrated resorts in addition to creating a strong foothold in Korea for future real estate development opportunities. We are also able to secure an additional 50,806.3 sq.m. site area of developable land adjacent to the Integrated Resort separately from the Korean JV that will allow us to build residential projects. The additional land designated for residential development is located in a prime location that is expected to generate significant sales and investment return for us.

General Information

We were incorporated in the PRC on 16 November 2001 as a joint stock limited liability company. Our registered office and principal place of business in the PRC is at 45–54/F, R&F Center, No. 10 Huaxia Road, Pearl River New Town, Guangzhou, China. Our place of business in Hong Kong is at Room 1103, Yue Xiu Building, 160–174 Lockhart Road, Wanchai, Hong Kong. Our website is <http://www.rfchina.com>. Information contained on our website does not constitute part of this offering memorandum.

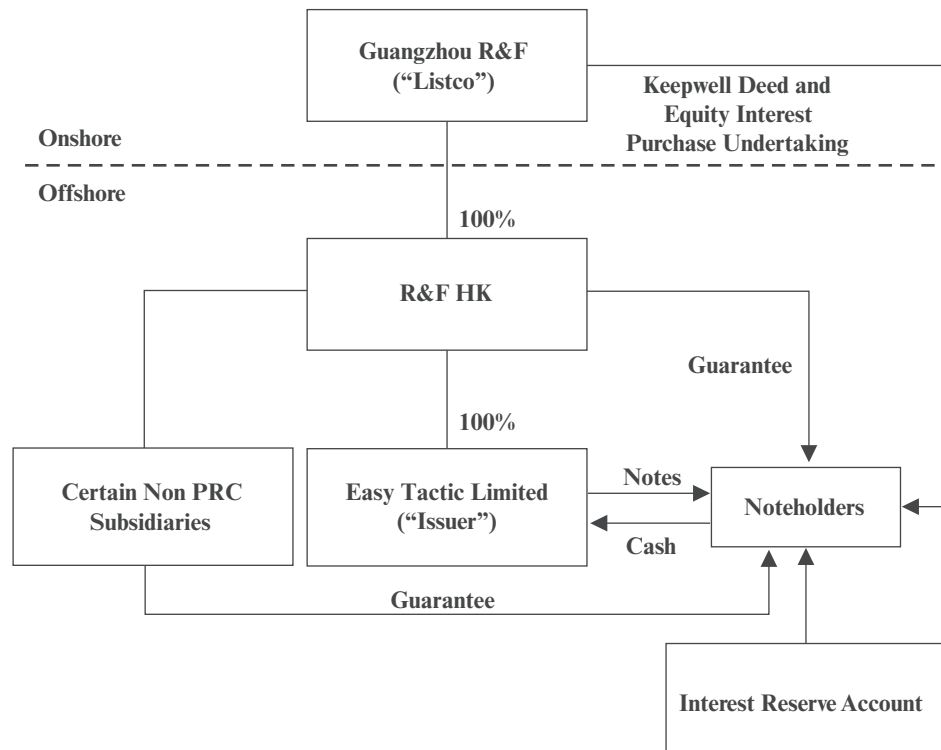
R&F HK is a company incorporated under the laws of Hong Kong with its registered office at Room 1103, Yue Xiu Building, 160–174 Lockhart Road, Wanchai, Hong Kong.

The Issuer, Easy Tactic Limited 怡略有限公司, is a company incorporated in BVI with limited liability. The Issuer is a wholly owned subsidiary of R&F HK. The Issuer currently has no business or operations other than to issue the Notes and conduct other activities in connection therewith.

OFFER STRUCTURE

The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled “Risk Factors”, “Terms and Conditions of the Notes”, “Description of the Keepwell Deed” and “Description of the Equity Interest Purchase Undertaking”. Capitalised term used but not otherwise defined herein shall have the meanings given to them in the sections entitled “Terms and Conditions of the Notes”.

The following chart illustrates the structure of the offering, the flow of funds and corresponding credit support of the Notes:



As credit enhancements for the Notes, on or prior to the Original Issue Date:

- (i) the Company has, for the benefit of the holders of the Notes, caused R&F HK and the initial Subsidiary Guarantor Pledgors to charge in favour of, *inter alia*, the Security Trustee the Capital Stock of: (a) the Issuer (the “Issuer Share Charge”) (subject to Permitted Liens and Permitted Pari Passu Secured Indebtness); and (b) the initial Subsidiary Guarantors (subject to Permitted Liens and Permitted Pari Passu Secured Indebtness) other than that of R&F HK (the “Subsidiary Share Charge” and together with the Issuer Share Charge, the “Share Charges”); and
- (ii) the Issuer has, for the benefit of the holders of the Notes, charged (the “Charge over Account”) in favour of the Security Trustee a U.S. dollar interest reserve account (the “Interest Reserve Account”),

in each case in order to secure the obligations of the Issuer under the Notes and the Trust Deed and of the initial Subsidiary Guarantor Pledgors under the Subsidiary Guarantees, in each case subject to, and in accordance with the terms of the Trust Deed, the Intercreditor Agreement (in the case of the Share Charges) and the Security Documents, as applicable.

The initial Subsidiary Guarantor Pledgors are R&F HK, R&F Properties (BVI) Co., Ltd 富力地產(BVI)有限公司, Peace Extend Investments Limited 安弘投資有限公司, Perfect City Investments Limited 佳城投資有限公司, Ease Glory International Limited 逸榮國際有限公司, Smart Keen International Limited 智建國際有限公司, East Global Industries Limited, Link City Limited 聯城有限公司, Silver Mac Energy Investment Ltd., O&C Property Development Ltd., Maxview Investments Limited 盛景投資有限公司, Gain Choice Holdings Limited 景擇控股有限公司, Jinbo Investments Limited 晉博投資有限公司, Radiant Ace Global Limited 耀峰環球有限公司, City Step Investments Limited 城階投資有限公司, Pilot Star Investments Limited 領星投資有限公司, Skill Smart Investments Limited 巧明投資有限公司, Profit Range Holdings Limited 潤巒控股有限公司, Rich Victor Investments Limited 富凱投資有限公司 and Yield Charm Investments Limited 益創投資有限公司.

None of the Capital Stock of the PRC Restricted Subsidiaries or the Initial Offshore Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future (unless any Initial Offshore Non-Guarantor Subsidiary becomes a Subsidiary Guarantor after the Original Issue Date).

Keepwell Deed

The Company, the Issuer and R&F HK will execute the Keepwell Deed in favour of the Trustee on or before the Original Issue Date. Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, R&F HK and the Trustee to:

- own or hold, directly or indirectly, all the outstanding shares of the Issuer and R&F HK;
- cause the Issuer to have a net worth, and R&F HK to have a consolidated net worth, of at least US\$1.00, respectively, at all times;
- cause the Issuer and R&F HK to have sufficient liquidity to ensure timely payment by each of them of any amounts payable in respect of the Notes (in accordance with the terms and conditions of the Notes and the Trust Deed) and its other indebtedness;
- not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time provides (a) an unsubordinated guarantee or indemnity in respect of the Notes in a form and substance satisfactory to the Trustee or (b) offers to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto (a) according to the Notes the same guarantee or indemnity or (b) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- procure that the articles of association of each of the Issuer and R&F HK shall not be amended in a manner that is, directly or indirectly, adverse to any holders of the Notes;

- cause the Issuer and R&F HK to remain in full compliance with the Trust Deed and all applicable rules and regulations in Hong Kong;
- use its best efforts to do all such things and take all such actions as may be necessary or desirable to give effect to the Keepwell Deed; and
- cause the Issuer and R&F HK to take all action necessary in a timely manner to comply with the Company's, the Issuer's and R&F HK's obligations under the Keepwell Deed.

If the Issuer or R&F HK determines that there is insufficient liquidity for the Issuer, R&F HK or the Subsidiary Guarantors to meet their respective payment obligations as they fall due, the Issuer and R&F HK will promptly notify the Company of the shortfall and the Company will make available to the Issuer, before the due date of the relevant payment obligations, funds sufficient to enable that payment obligation to be met in full as they fall due.

The Keepwell Deed is not a guarantee or a legal obligation of the Company to pay any amount due under the Notes. The performance by the Company of its obligations under the Keepwell Deed may be subject to the necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies and the Company undertakes to use its best efforts to obtain the same. See "Risk Factors — The Keepwell Deed is not a guarantee of the payment obligations under or in respect of the Notes".

The Equity Interest Purchase Undertaking

The Company and R&F HK will execute the Equity Interest Purchase Undertaking in favour of the Trustee on or before the Original Issue Date. While the Keepwell Deed contains a general obligation requiring the Company to ensure that the Issuer, and R&F HK have sufficient liquidity to meet any payment obligations under the Notes, the Equity Interest Purchase Undertaking provides a specified means by which the Company could assist the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to meet any outstanding obligations under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) upon the occurrence of an Event of Default. The Equity Interest Purchase Undertaking does not, however, constitute a guarantee by the Company of the Notes.

Under the Equity Interest Purchase Undertaking, the Company will undertake to the Trustee that, upon receipt of a written notice from the Trustee following an Event of Default, the Company will, subject to obtaining all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies, purchase certain onshore equity interests held by the Relevant Transferor(s) (as defined in the Equity Interest Purchase Undertaking). The purchase price for any proposed acquisition will be determined by the Company provided that the relevant purchase price must be sufficient for the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to discharge their respective obligations under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Trust Deed, the Agency Agreement and the Equity Interest Purchase Undertaking.

Upon receipt of the written notice from the Trustee, the Company is required to acquire equity interests of certain onshore project companies, the capital stock of which is held by the Relevant Transferor(s) (as defined in the Equity Interest Purchase Undertaking). See "Risk Factors — Performance by the Company of its undertakings under the Equity Interest Purchase Undertaking applies only upon the occurrence of an Event of Default and is subject to the necessary approvals and other authorisations of relevant authorities and other bodies".

The Issuer and the Company have been advised by PRC counsel that any proposed acquisition to be made by the Company under the Equity Interest Purchase Undertaking will be an onshore intra-group transfer which does not require the approval by the NDRC and the Company will only need PRC approvals from MOFCOM and SAFE and registration with SAIC and other necessary tax clearance from the applicable PRC tax authorities prior to the completion of the acquisition. The Company undertakes to use its best efforts to obtain all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies. However, there is no assurance that such approvals, consents and other authorisations can be obtained. In the event that the Company is unable to obtain such necessary approvals, consents and other authorisations, the Company may be unable to complete the relevant equity interest acquisition as required under the Equity Interest Purchase Undertaking. See “Risk Factors — Performance by the Company of its undertakings under the Equity Interest Purchase Undertaking applies only upon the occurrence of an Event of Default and is subject to the necessary approvals and other authorisations of the relevant authorities and bodies”.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the Offering. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the sections entitled “Terms and Conditions of the Notes”. For a more complete description of the Notes, see “Terms and Conditions of the Notes”.

Terms of the Offering

Issuer	Easy Tactic Limited 怡略有限公司.
Issue	US\$265,000,000 5.75% Senior Notes due 2022 (the “Notes”).
Option Notes	The Joint Lead Managers have been granted an option by the Issuer to subscribe at any time, in whole or in part and on one or more occasions, within a 30-day period from the date of this offering memorandum, for additional Notes. The total aggregate size of the Notes (including the Option Notes) will not exceed the amount approved by the Guangdong DRC.
Issue Price	99.146%.
Form and Denomination .	The Notes will be issued in registered form without coupons attached in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Interest	The Notes will bear interest from and including 13 January 2017 at the rate of 5.75% per annum, payable semi-annually in arrear on 13 January and 13 July in each year.
Ranking of the Notes . . .	The Notes are: • the direct, unsubordinated, unconditional and secured obligations of the Issuer; • <i>pari passu</i> and without preference or priority among themselves; • guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis; and • effectively subordinated to the other secured obligations of the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors to the extent of the value of the assets serving as security therefor. In addition, the Notes will be secured by certain security over the Collateral as described below under the caption “— Security” and: • are entitled to a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

- rank effectively senior in right of payment with respect to the value of the Collateral pledged by the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees
and JV Subsidiary
Guarantees

R&F HK and each of the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will unconditionally and irrevocably guarantee, jointly and severally, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. As of the Original Issue Date, the initial Subsidiary Guarantors consist of R&F HK and certain other subsidiaries of the Company as set forth in “Terms and Conditions of the Notes — Guarantee and Security — Subsidiary Guarantees”. See “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The initial Subsidiary Guarantors do not currently have significant operations”.

R&F Properties (UK) Company Limited, Trillion Chance Limited (兆運有限公司), Caifu Holdings Limited (彩富控股有限公司), Estate Link Investments Limited (BVI) (智領投資有限公司), R&F Properties (Macau) Company Limited, Tian Li Property Construction SDN BHD, Tian Li Property Management SDN BHD, Smart Candid Limited, Celestial Estate Limited, Advanced Business Park (Qingdao) Investment Limited (總部基地(青島)投資有限公司), Best Always Investments Limited (BVI) (恆佳投資有限公司) Skylane Holding Limited, R&F Korea Co., Ltd. and Sunlight Jolly Limited (BVI) (明樂有限公司) (the “Initial Offshore Non-Guarantor Subsidiaries”), will not guarantee the obligations of the Issuer under the Trust Deed or the Notes on the Original Issue Date.

The Company will cause each of its future Restricted Subsidiaries (other than the Issuer, the PRC Subsidiaries, any Exempted Subsidiary, any Exempted Finance Subsidiary and any Listed Subsidiary) to, jointly and severally, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment of all sums expressed to be payable by the Issuer under the Notes. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary (and its Restricted Subsidiaries) organised outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding Exempted Subsidiaries and Listed Subsidiaries) do not account for more than 20% of Total Assets.

A Subsidiary Guarantee and a JV Subsidiary Guarantee may be released or replaced in certain circumstances. See “Terms and Conditions of the Notes — Guarantee and Security — The Subsidiary Guarantees”.

Ranking of Subsidiary
Guarantees and JV
Subsidiary Guarantees .

The Subsidiary Guarantee of each Subsidiary Guarantor is a general obligation of such Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), at all times rank *pari passu* with all of the other present and future unsecured and unsubordinated obligations of such Subsidiary Guarantor.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor is a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law, be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor and at all times rank *pari passu* with all of the other present and future unsecured and unsubordinated obligations of such JV Subsidiary Guarantor.

Security

The Company will, for the benefit of the holders of the Notes, cause R&F HK and the initial Subsidiary Guarantor Pledgors to charge to, *inter alia*, the Security Trustee the Capital Stock of the Issuer and the initial Subsidiary Guarantors other than that of R&F HK (subject to Permitted Liens and Permitted Pari Passu Secured Indebtedness).

In addition, the Issuer will for the benefit of the holders of the Notes, charge in favour of the Security Trustee an Interest Reserve Account established in the name of the Issuer with the Account Bank.

See “Terms and Conditions of the Notes — Security”.

Interest Reserve Account.

On the Closing Date and issue date(s) of any Option Notes, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account such amounts as are necessary to ensure that the Reserve Fund for the Interest Reserve Account are not less than the required Minimum Balance as of the Closing Date or issue date(s) of any Option Notes, as applicable.

The Interest Reserve Account will be established with the Account Bank.

So long as there has not occurred any Default (as defined in the Conditions), the Issuer may by written notice to the Account Bank direct the Account Bank to release such amount from the Interest Reserve Account for payment of any interest due and payable under the Notes.

The Issuer shall, after each such withdrawal is made, deposit an amount into the Interest Reserve Account within 30 days after such withdrawal to ensure that the Reserve Fund after such deposit shall be no less than the Minimum Balance as of the deposit date.

See “Terms and Conditions of the Notes — Covenants — Covenants in respect of the Collateral”.

Intercreditor Agreement . The Issuer, the Subsidiary Guarantor Pledgors, the 2019 Notes Trustee (as defined in “Terms and Conditions of the Notes”), the 2019 Notes Security Trustee (as defined in “Terms and Conditions of the Notes”), the 2020 Notes Trustee (as defined in “Terms and Conditions of the Notes”), the 2020 Notes Security Trustee (as defined in “Terms and Conditions of the Notes”) and the Collateral Agent (as defined in “Terms and Conditions of the Notes”) have entered into the Intercreditor Agreement, to which the Trustee and the Security Trustee will accede, pursuant to which the parties thereto have agreed, among other things, that (a) the parties shall share equal priority and pro rata entitlement in and to the Collateral; (b) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (c) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Use of Proceeds We intend to use the net proceeds to finance our overseas projects under China’s “One Belt One Road” strategy and for general corporate purposes.

Redemption for Taxation
Reasons Subject to certain exceptions and as more fully described in “Terms and Conditions of the Notes”, the Issuer may redeem all of the Notes at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption if the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See “Terms and Conditions of the Notes — Redemption and purchase — Redemption for taxation reasons”.

Repurchase of Notes
Upon Change of
Control Triggering
Event Upon the occurrence of a Change of Control Triggering Event, the Issuer may be required to purchase Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. See “Terms and Conditions of the Notes — Redemption and purchase — Change of control”.

Make Whole Redemption At any time prior to 13 January 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined herein) for the Notes and accrued and unpaid interest, if any, to (but not including) the redemption date. See “Terms and Conditions of the Notes — Make whole redemption”.

Optional Redemption . . .	The Issuer may at its option redeem the Notes, in whole or in part, on or after 13 January 2020, at the redemption prices set forth in “Terms and Conditions of the Notes” plus accrued and unpaid interest, if any, to (but not including) the redemption date. See “Terms and Conditions of the Notes — Optional Redemption”.
Covenants	The Notes, the Trust Deed and the Subsidiary Guarantees will limit the Issuer from incurring indebtedness and limit the ability of the Company and its Restricted Subsidiaries, to, among other things: • incur or guarantee additional indebtedness; • issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness by Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that limit the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in “Terms and Conditions of the Notes — Covenants”.
Keepwell Deed	The Company will enter into a keepwell deed with the Issuer, R&F HK and the Trustee as more fully described in “Description of the Keepwell Deed”.
Equity Interest Purchase Undertaking	The Company will enter into a deed of equity interest purchase undertaking with R&F HK and the Trustee as more fully described in “Description of the Equity Interest Purchase Undertaking”.

Book-entry Only.	The Notes will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Notes represented by the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.	
Delivery of the Notes . . .	The Issuer expects to make delivery of the Notes against payment in same-day funds on or about 13 January 2017.	
Trustee and Security Trustee.	Citicorp International Limited.	
Principal Agent for the Notes	Citibank, N.A., London Branch.	
Registrar for the Notes . .	Citigroup Global Markets Deutschland AG.	
Listings	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).	
Ratings	The Notes are expected to be rated “BB” by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	
Security Codes	ISIN	Common Code
	XS1545743442	154574344
Governing Law	The Notes and the Trust Deed governing the Notes will be governed by and will be construed in accordance with the laws of England.	
NDRC Pre-Issue Registration	The Company has registered the issuance of the Notes with Guangdong DRC and obtained a certificate from Guangdong DRC dated 7 November 2016 evidencing such registration. Pursuant to the registration certificate, the effective issuance period for the Notes is up to the end of December 2016. However, there is no definition or interpretation as to what constitutes the completion of the issuance of the Notes. See “Risk Factors — Risks Relating to the Real Estate Industry in China — Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you”.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors”.	

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended 31 December 2013, 2014 and 2015 and the summary consolidated balance sheet data as of 31 December 2013, 2014 and 2015 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for the years ended 31 December 2013, 2014 and 2015, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended 30 June 2015 and 2016 and the summary condensed consolidated balance sheet data as of 30 June 2016 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future years. Results for interim periods are not indicative of results for the full year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, including the notes thereto, which are included elsewhere in this offering memorandum.

Summary Consolidated Income Statement Data of the Group

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands)						
Revenue	36,271,284	34,705,410	44,290,924	6,664,398	12,719,140	22,389,435	3,368,909
Cost of sales	(22,036,298)	(22,391,431)	(30,083,853)	(4,526,678)	(8,971,554)	(16,706,704)	(2,513,836)
Gross profit	14,234,986	12,313,979	14,207,071	2,137,719	3,747,586	5,682,731	855,073
Other income and other gains — net ⁽¹⁾	2,728,953	2,030,304	1,518,092	228,425	899,985	916,305	137,875
Selling and marketing costs	(626,089)	(896,059)	(896,657)	(134,919)	(370,000)	(521,826)	(78,518)
Administrative expenses	(1,838,631)	(2,220,501)	(2,409,572)	(362,565)	(1,122,997)	(1,208,172)	(181,792)
Operating profit	14,499,219	11,227,723	12,418,934	1,868,661	3,154,574	4,869,038	732,638
Finance costs	(1,933,742)	(1,215,921)	(2,153,995)	(324,109)	(511,925)	(1,000,874)	(150,600)
Share of results of joint ventures . .	357,253	169,789	1,343,455	202,148	254,564	178,463	26,853
Share of results of associates	(50,901)	(25,205)	(18,893)	(2,843)	(5,100)	(14,854)	(2,235)
Profit before income tax	12,871,829	10,156,386	11,589,501	1,868,661	2,892,113	4,031,773	606,656
Income tax expenses	(5,226,181)	(3,649,997)	(4,877,229)	(733,870)	(1,191,481)	(1,607,614)	(241,896)
Profit for the year/period	7,645,648	6,506,389	6,712,272	1,009,987	1,700,632	2,424,159	364,760

Note:

- (1) Since 2015, we have consolidated “other gains — net” and “other operating income”, which were used in our financial statements for 2013 and 2014 included elsewhere in this offering memorandum, into “other income and other gains — net” due to better presentation of the financial statement line items.

Other financial data

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands, except percentages)						
EBITDA ⁽¹⁾	15,336,042	12,848,699	14,561,859	2,191,104	3,774,584	6,016,955	905,363
EBITDA Margin ⁽²⁾	42.3%	37.0%	32.9%	32.9%	29.7%	26.9%	26.9%

Notes:

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

Summary Consolidated Balance Sheet Data of the Group

	As of 31 December				As of 30 June	
	2013	2014	2015	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	1,098,345	1,198,045	1,264,041	190,199	1,476,657	222,191
Property, plant and equipment	6,566,671	7,495,641	9,009,864	1,355,703	9,964,439	1,499,333
Investment properties	15,888,187	18,047,632	19,251,951	2,896,816	21,044,983	3,166,611
Intangible assets	897,836	977,958	1,034,849	155,712	1,063,044	159,955
Interests in joint ventures	4,258,931	4,617,519	5,954,631	895,986	6,211,190	934,590
Interests in associates	122,600	86,213	71,052	10,691	91,791	13,812
Deferred income tax assets	3,217,888	2,927,764	3,295,186	495,822	3,885,435	584,636
Available-for-sale financial assets	281,400	535,477	645,140	97,073	592,890	89,211
Trade and other receivables and prepayments . .	1,450,024	3,772,884	4,046,552	608,879	1,173,175	176,526
	33,781,882	39,659,133	44,573,266	6,706,882	45,503,604	6,846,869
CURRENT ASSETS						
Properties under development	56,111,099	81,327,691	78,671,926	11,837,663	78,224,863	11,770,394
Completed properties held for sale	10,992,876	17,222,116	22,427,988	3,374,710	24,948,703	3,753,999
Inventories	297,920	358,831	414,888	62,428	411,195	61,872
Trade and other receivables and prepayments . .	13,162,768	10,890,728	13,576,168	2,042,788	16,530,761	2,487,362
Tax prepayments	1,656,242	2,551,852	2,784,288	418,948	2,783,475	418,826
Restricted cash	6,622,173	6,339,497	6,814,094	1,025,308	8,259,825	1,242,845
Time Deposits	—	—	500,000	75,234	107,721	16,209
Cash and cash equivalents	17,722,162	13,490,425	13,970,313	2,102,095	28,975,608	4,359,922
	106,565,240	132,181,140	139,159,665	20,939,175	160,242,151	24,111,430
Total assets	140,347,122	171,840,273	183,732,931	27,646,057	205,745,755	30,958,298
EQUITY						
Share capital	805,592	805,592	805,592	121,216	805,592	121,216
Retained earnings	27,129,554	30,749,658	35,404,023	5,327,198	37,629,038	5,661,993
Shares held for Share Award Scheme	(172,563)	(128,711)	(88,947)	(13,384)	—	—
Other reserves	4,344,253	4,538,822	4,590,948	690,794	4,454,644	670,285
Perpetual capital instruments	1,000,000	15,648,416	7,977,869	1,200,420	2,404,067	361,737
Non-controlling interests	375,207	531,785	527,895	79,432	318,367	47,904
Total equity	33,482,043	52,145,562	49,217,380	7,405,676	45,611,708	6,863,135
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	43,352,514	45,553,602	49,759,398	7,487,232	77,884,056	11,719,113
Deferred income tax liabilities	3,589,702	3,278,908	3,935,947	592,237	4,659,293	701,078
Accruals and other payables	596,257	171,222	—	—	—	—
	47,538,473	49,003,732	53,695,345	8,079,469	82,543,349	12,420,191
CURRENT LIABILITIES						
Accruals and other payables	17,781,734	19,270,956	18,727,912	2,817,965	17,708,821	2,664,623
Deposits received on sale of properties	13,777,892	19,225,725	18,407,668	2,769,778	19,958,557	3,003,138
Current income tax liabilities	9,671,667	10,089,230	11,005,384	1,655,966	10,037,354	1,510,308
Short-term borrowings	2,549,535	3,085,000	5,661,596	851,893	4,821,830	725,535
Current portion of long-term borrowings	15,545,778	19,020,068	27,017,646	4,065,310	25,064,136	3,771,368
	59,326,606	70,690,979	80,820,206	12,160,912	77,590,698	11,674,972
Total liabilities	106,865,079	119,694,711	134,515,551	20,240,381	160,134,047	24,095,163
Total equity and liabilities	140,347,122	171,840,273	183,732,931	27,646,057	205,745,755	30,958,298
Net current assets	47,238,634	61,490,161	58,339,459	8,778,263	82,651,453	12,436,458
Total assets less current liabilities	81,020,516	101,149,294	102,912,725	15,485,145	128,155,057	19,283,326

The following table presents the summary unaudited financial and other data of R&F HK. The summary consolidated income statement data for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 and the summary consolidated balance sheet data as of 31 December 2013, 2014 and 2015 and 30 June 2016 set forth below have been derived from the reviewed consolidated financial statements of R&F HK as of and for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and are included elsewhere in this offering memorandum. The financial statements of R&F HK have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The financial results of R&F HK for any past period are not, and should not be taken as, an indication of its performance, financial position or results of operations in future years. Results for interim periods are not indicative of results for the full year.

Summary Unaudited Consolidated Income Statement Data of R&F HK

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands)						
Revenue	5,627,207	2,012,886	1,372,798	206,563	502,845	2,611,982	393,022
Cost of sales	(2,607,894)	(1,281,042)	(1,037,577)	(156,123)	(280,409)	(2,108,098)	(317,203)
Gross profit	3,019,313	731,844	335,221	53,450	222,436	503,884	75,819
Other income and other gains — net	994,755	158,925	281,747	42,394	150,380	23,947	3,603
Selling and marketing costs	(59,210)	(97,334)	(117,189)	(17,633)	(35,743)	(54,139)	(8,146)
Administrative expenses	(179,380)	(291,006)	(329,925)	(49,643)	(141,864)	(233,008)	(35,060)
Operating profit	3,775,478	502,429	169,854	25,558	195,209	240,684	36,215
Finance costs	(940,917)	(1,507,587)	(2,427,886)	(365,231)	(597,915)	(454,164)	(68,337)
Share of results of joint ventures . .	37,812	89,873	174,383	26,239	(15,735)	13,196	1,986
Share of results of associates	34,708	(24,203)	(1,353)	(204)	3,001	(3,024)	(455)
Profit/(loss) before income tax . . .	2,907,081	(939,488)	(2,085,002)	(317,728)	(415,440)	(203,308)	(30,591)
Income tax expenses	(1,507,808)	(39,487)	92,109	13,860	(41,158)	(34,062)	(5,125)
Profit/(loss) for the year/period . . .	<u>1,399,273</u>	<u>(978,975)</u>	<u>(1,922,893)</u>	<u>(289,335)</u>	<u>(456,598)</u>	<u>(237,370)</u>	<u>(35,717)</u>
Profit/(loss) attributable to:							
— Owners of the company.	877,943	(955,341)	(1,996,603)	(300,426)	(469,633)	(231,827)	(34,883)
— Non-controlling interests.	521,330	(23,634)	3,710	558	13,035	(5,543)	(834)
	<u>1,399,273</u>	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(299,868)</u>	<u>(456,598)</u>	<u>(237,370)</u>	<u>(35,717)</u>

Summary Unaudited Consolidated Balance Sheet Data of R&F HK

	As of 31 December				As of 30 June	
	2013	2014	2015	2015	2016	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	397,334	385,044	411,442	61,909	401,371	60,394
Property, plant and equipment	1,645,528	1,683,019	1,928,312	290,151	1,899,568	285,826
Investment properties	4,903,370	4,994,525	5,248,285	789,703	5,261,660	791,715
Intangible assets	4,515	4,586	9,402	1,415	8,923	1,343
Interests in joint ventures	1,361,824	1,677,809	1,852,192	278,697	1,865,387	280,682
Interests in associates	457,326	433,123	491,294	73,924	488,271	73,470
Deferred income tax assets	290,107	269,978	349,193	52,543	382,614	57,571
Trade and other receivables and prepayments . .	1,393	1,892	—	—	—	—
	<u>9,061,397</u>	<u>9,449,976</u>	<u>10,290,120</u>	<u>1,548,341</u>	<u>10,307,794</u>	<u>1,551,000</u>
CURRENT ASSETS						
Properties under development	1,813,850	7,021,835	9,165,194	1,379,078	8,410,417	1,265,505
Completed properties held for sale	247,483	848,277	1,014,655	152,673	2,581,302	388,405
Inventories	8,202	7,586	8,490	1,277	8,760	1,318
Trade and other receivables and prepayments . .	8,192,481	6,405,005	4,975,181	748,609	6,138,911	923,714
Tax prepayments	28,328	74,598	223,928	33,702	183,183	27,563
Restricted cash	1,780,530	741,706	1,014,420	152,638	1,004,640	151,167
Time deposits	—	—	500,000	75,234	107,721	16,209
Cash	2,433,324	1,906,679	1,134,037	170,637	2,102,698	316,390
	<u>14,504,198</u>	<u>17,005,686</u>	<u>18,035,905</u>	<u>2,713,839</u>	<u>20,537,632</u>	<u>3,090,271</u>
Total assets	<u>23,565,595</u>	<u>26,455,662</u>	<u>28,236,025</u>	<u>4,248,638</u>	<u>30,845,426</u>	<u>4,641,271</u>
EQUITY						
Share capital	10	10	10	2	10	2
Retained earnings	3,129,820	2,174,479	177,876	26,765	(53,951)	(8,118)
Other reserves	—	5,810	27,576	4,149	(37,535)	(5,648)
Non-controlling interests	1,205,524	1,181,897	1,188,014	178,759	1,182,471	177,925
Total equity	<u>4,335,354</u>	<u>3,362,196</u>	<u>1,393,476</u>	<u>209,374</u>	<u>1,090,995</u>	<u>164,161</u>
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	10,174,178	16,488,468	8,200,600	1,233,934	8,757,650	1,317,752
Deferred income tax liabilities	1,049,875	1,027,296	1,063,589	160,037	1,081,537	162,737
	<u>11,224,053</u>	<u>17,515,764</u>	<u>9,264,189</u>	<u>1,393,971</u>	<u>9,839,187</u>	<u>1,480,490</u>
CURRENT LIABILITIES						
Accruals and other payables	1,818,526	2,511,933	2,082,306	313,322	6,508,817	979,373
Deposits received on sale of properties	291,397	615,254	2,079,079	312,836	1,632,469	245,636
Current income tax liabilities	1,375,413	617,155	491,735	73,991	451,700	67,967
Short-term borrowings	914,535	1,700,000	—	—	295,500	44,464
Current portion of long-term borrowings	3,606,317	133,360	13,015,240	1,958,386	11,026,758	1,659,182
	<u>8,006,188</u>	<u>5,577,702</u>	<u>17,668,360</u>	<u>2,658,535</u>	<u>19,915,244</u>	<u>2,996,621</u>
Total liabilities	<u>19,230,241</u>	<u>23,093,466</u>	<u>26,932,549</u>	<u>4,052,506</u>	<u>29,754,431</u>	<u>4,477,111</u>
Total equity and liabilities	<u>23,565,595</u>	<u>26,455,662</u>	<u>28,236,025</u>	<u>4,262,180</u>	<u>30,845,426</u>	<u>4,641,271</u>

RISK FACTORS

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

Risks Relating to Our Business

We are heavily dependent on the performance of the PRC property market, particularly in the Pearl River Delta and Bohai Rim regions

Our business and prospects depend on the performance of the property market in the PRC, in particular, in the Pearl River Delta and the Bohai Rim regions. As of 30 June 2016, we had 161 projects at various stages of development located in China, Malaysia and Australia, 78 of which were completed and 83 of which were under development or held for future development. As of 30 June 2016, 92 of our projects were located in Guangzhou, Beijing and Tianjin. Any real estate market downturn in the PRC generally and, in particular, in Guangzhou, Beijing and Tianjin where we have a concentration of properties, could adversely affect our business, results of operations and financial condition. We cannot assure you that the demand for new properties in Beijing, Guangzhou, Tianjin and other regions and cities in China where we operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, volatility in market conditions and fluctuations in property prices, as well as the demand and supply for property have been affected and will continue to be affected by the economic, social, political and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sectors in Guangzhou, Beijing and Tianjin and other cities and regions of China. Any adverse development in the property market in Guangzhou, Beijing, Tianjin or other regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector

Our business is subject to extensive governmental regulation and macro-economic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, 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 benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Since the beginning of 2010, the PRC government has announced a series of other measures designed to stabilise the growth of the PRC economy and to stabilise the growth of specific sectors, including the

property market, to a more sustainable level. In general, in accordance with the price control policies and targets of the corresponding local governments for those cities with excessive growth in housing prices, the measures further 1) increase down payment ratios from as low as 20% to as high as 70% in some overheated cities; 2) increase interest rates for loans to purchase second or third properties; 3) restrict the number of apartments that each family can buy and 4) set restrictions on the eligibility of home buyers (i.e. requirements for payment of local social security expenses or taxes for a number of years or eligibility based on household registration system).

In February 2016, the PBOC and the CBRC jointly announced reductions in the minimum down-payment in non-home purchase restriction cities for first home buyers to 25% which may further be decreased by 5% by local authorities, and for second home buyers that have not fully repaid the previous loan for housing to 30%. After significant domestic fundraising activity undertaken by the sector at historically low rates, and further policy easing, developers are now able to afford to participate more actively in the land market.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future nor can we assure you when or whether the existing policies will be ceased or reversed.

If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real estate industry, or if such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

For more information on the governmental regulation, policies and measures, see the section entitled “Regulations.” You should read the various risk factors under the section entitled “— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector” below for more information relating to these risks and uncertainties relating to the extensive PRC regulations.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly from period to period, due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, the price we achieve for our properties, our revenue recognition policies and any volatility in expenses such as raw material costs. The overall timetables of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sales of properties we develop are subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognise revenue upon the completion and delivery of the properties to purchasers, which may typically take up to two years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry

demand, inflation, higher fuel and transportation costs and other factors. We may experience significant fluctuations in revenue and profit from period to period in connection with our property development business.

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

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Based on our current rate of property development, we believe we have sufficient land reserves for development for the next several years. To have a steady stream of developed properties available for sale and support sustainable growth, we need to replenish and increase our land reserves with additional land 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. The supply of substantially all of the land in China is controlled by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. In 2007, the Ministry of Land and Resources of the PRC (the “Ministry of Land and Resources”) issued revised Provisions on the Assignment of State-Owned Construction Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定), which further stipulate legal and procedural requirements on the means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium must be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the State-Owned Construction Land Use Rights Certificate can be issued to the land user. For more details, see “— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector”. The PRC government’s policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC.

In addition, in September 2010, the Ministry of Land Resources and the MOHURD jointly issued the Notice on Further Strengthening the Administration and Control of the Land-use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented, and land grant of multiple parcels at a time or unlevelled land (毛地) is prohibited. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1:1. In addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behaviour in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. See “Regulation — The Land System of the PRC — Property Development”.

If we fail to acquire sufficient land reserves in a timely manner and at acceptable terms, or at all, our business, prospects, results of operations and financial condition may be materially and adversely affected.

We may not always be able to obtain land use rights certificates with respect to certain parcels of land in connection with which we have entered into various contractual arrangements

We may not be able to obtain land use rights certificates with respect to certain parcels of land. Under current PRC land grant policies, the relevant authorities will not issue the formal land use right certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions, and the land use rights for properties and lands will not be formally vested until corresponding land use right certificates have been issued. As of the date of this offering memorandum, among our material PRC entities, the assets of which contribute to over 3% of our total assets and the revenue generated by which contributes to over 3% of our total revenue, there are several parcels of land related to Beijing R&F New City for which we have been issued or entered into land grant confirmation letters or land grant contracts but have not obtained the land use rights certificates. As of 30 June 2016, we had paid land premium in the aggregate amount of approximately CNY84,000 million (US\$12,639.4 million) and had outstanding commitments totalling approximately CNY10,400 million (US\$1,564.9 million) for our 65 projects under development and 18 projects held for future development (including our proportion in the joint-venture projects).

We cannot assure you that we will enter into formal land grant contracts, or that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land we may contract to acquire in the future, in a timely manner, or at all. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements are subject to various government approvals that involve relatively complex procedures, it is not uncommon to take years to complete the acquisition of the underlying land, if at all. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land we have contracted or may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected. We cannot assure you that if the transactions as contemplated in the relevant agreement cannot be completed, any refund of our prepayments will be provided in a timely manner or at all. If we fail to obtain refunds, our financial condition, cash flow and results of operations may be materially and adversely affected.

Restrictions on the payment terms for land use rights may adversely affect our financial condition

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum land premium down payment to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. In May 2014, the PRC government set the land premium at no less than the lowest standard of land use fee stipulated by the State. Such change of policy may constrain

our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

In 2007, the Ministry of Land and Resources issued revised Provision on the Assignment of State-Owned Construction Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on 1 November 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

We may not have adequate financing to make land acquisitions and fund our property projects

Property development is capital intensive. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales or pre-sales over the same period. For example, we experienced a net cash outflow from operating activities of CNY355.9 million (US\$54.9 million) and CNY1,234.6 million (US\$185.8 million), respectively, for the year ended 31 December 2015 and the six months ended 30 June 2016, primarily due to interest paid and payments for enterprise income tax and land appreciation tax. We finance our property projects primarily through a combination of internal funds, project loans from banks, capital contributions from shareholders, proceeds from pre-sales and sales of our developed properties and other financing sources. See “Description of Material Indebtedness and Other Obligations.” As of 30 June 2016, our total bank loans amounted to CNY40.9 billion (US\$6.1 billion). Our ability to make acquisitions of land or companies and to procure adequate and suitable financing for property developments depends on a number of factors that are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, financing costs and monetary policies in China.

During the past several years, the PRC government has implemented a number of measures to control money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. For example:

- The PBOC has prohibited commercial banks from granting loans to property developers to pay land premiums since June 2003;
- The PBOC has restricted PRC commercial banks from granting project loans for the development of luxury residential properties since 2003;

- The MOHURD (also known as the “Ministry of Construction”) and other PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格的意見) in May 2006, which, among other things:
 - restricts the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
 - prohibits commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans;
- The PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) in September 2007, which, among other things:
 - prohibits commercial banks from granting loans to property projects if the developer’s own capital is less than 35% of the total investment amount;
 - prohibits commercial banks from granting loans to property projects that have not obtained land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits;
 - requires that commercial bank loans to property developers only be classified as real estate development loans and not as general working capital loans or any other loans; and
 - requires that real estate development loan proceeds may only be used for developments in the local city where the loan is originated;
- In November 2009, the PRC government raised the minimum down-payment of land premium for land purchase to 50% and stipulated the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;
- In March 2010, the Ministry of Land and Resources stipulated that the minimum down payment of land premium of 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract; and
- The State Administration of Foreign Exchange of the PRC (the “SAFE”) issued the Administrative Measures for Registration of Foreign Debts (外債登記管理辦法) on 28 April 2013, which, among other things, in effect prohibits offshore funding to Foreign Invested Real Estate Enterprises (“FIREEs”) in the form of loans if such FIREE obtained approval certificate and registered with MOFCOM after 1 June 2007.

On 3 January 2008, the State Council issued the Notice on Promoting the Economical and Intensive Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilisation priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also

urges financial institutions to exercise caution when they review loan applications from property developers that have failed to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that a value-added land premium will be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by the Ministry of Land and Resources and other authorities. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

In addition, the PBOC has raised the reserve requirement ratio for commercial banks six times in 2010 and six times in 2011 although the PBOC subsequently eased the reserve requirement ratio by 50 basis points in each of December 2011, February 2012 and May 2012. The reserve requirement ratio currently ranges from 13.0% to 16.5%. There cannot, however, be any assurance that the PBOC will announce any further easing of the reserve requirement ratio or maintain the reserve requirement ratio at its current level. Any increases of the reserve requirement ratio from time to time may negatively impact the amount of funds available to lend to business, including us, by commercial banks in China. The PRC government could also introduce other initiatives that may further limit our access to capital, and/or consequently reduce our flexibility and ability to use bank loans or other forms of financing to finance our acquisitions and property developments. For example, in April 2010, the State Council issued the Notice on Resolutely Curbing the Excessive Hike of Property Prices in Some Cities (國務院關於堅決遏制部分城市房價過快上漲的通知), which mandates that developers who hold idle land or speculate in land will not be granted bank loans for the development of new property projects. In September 2010, PBOC and CBRC jointly issued the Circular on Issues Concerning Improving Differentiated Housing Loan Policies (關於完善差別化住房信貸政策有關問題的通知) to prohibit banks from lending to any property developer for its new projects or renewal of its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction, commencement or completion date, hoarding properties or other non-compliance.

These government actions and policy initiatives limit our ability to use bank loans to finance our acquisitions and property development projects. The PRC government, moreover, could introduce other initiatives which may further limit our access to capital, and consequently limit our ability to obtain bank loans, the net proceeds from this offering or other forms of financing. If we fail to secure adequate financing or renew our existing credit facilities prior to their expiration, or if the PRC government adopts further restrictive credit policies in the future, our business, results of operations and financial condition may be materially and adversely affected.

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

In accordance with the provisions of the LAT and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of such properties. The PRC government issues rules and regulations in respect of LAT, including rules and regulations relating to assessable rates, the deductibility of certain expenses and the collection and settlement of LAT. In addition, the PRC Government has determined that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdiction. For more details, see “Regulations — Taxation in the PRC — Land Appreciation Tax.” There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury

residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties.

We make LAT prepayments and provisions in respect of our property development activities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — LAT” in this offering memorandum. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities, in particular, the local tax bureau of Guangzhou and other cities and regions where we operate our business, determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount immediately, our cash flow, results of operations and financial condition may be materially and adversely affected.

We maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness

We maintain a significant amount of indebtedness to finance our operations. As of 31 December 2013, 2014 and 2015 and 30 June 2016, our total bank loans were CNY31,136.2 million, CNY34,538.7 million, CNY38,921.2 million (US\$5,856.4 million) and CNY40,867.2 million (US\$6,149.2 million), respectively. Our gearing ratio, calculated as net borrowings (total borrowings net of cash, restricted cash and time deposits) divided by total equity attributable to owners of the Company, was 110.8%, 91.7%, 124.3% and 154.4% as of 31 December 2013, 2014 and 2015 and 30 June 2016, respectively. Of our total outstanding bank loans of CNY40,867.2 million (US\$6,149.2 million) as of 30 June 2016, CNY11,875.6 million (US\$1,786.9 million) was repayable within 12 months and CNY28,991.6 million (US\$4,362.3 million) was repayable in more than one year. We have also, since 30 June 2016, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes.

Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness, including the Notes. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. Furthermore, the Notes and some of our bank loans contain restrictions and covenants as well as cross default provisions under which default in one such loan could trigger a default on the Notes or one or more of the other bank loans as well. If we are unable to comply with the restrictions or covenants in such bank loans, or our current and future debt obligations under other financing agreements, there could be a default under the terms of such bank loans or other financing agreements which may also cause acceleration of repayment on other debts, including the Notes. We cannot assure you that we will be able to comply with the restrictions or covenants in our current or future financing agreements, or that upon any default, we can obtain consents or waivers for any such default. We cannot assure you that we will be able to successfully refinance our existing indebtedness or that we will be able to secure additional financing on acceptable terms, on a timely basis, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

In addition to bank loans and bonds, we rely on proceeds from the pre-sale of our properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or in the

prices of our properties, or delays in our property development schedule, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness.

We had negative net operating and investing cash flows for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected.

For the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, we recorded negative net cash flows from operating activities of approximately CNY11,862.4 million, CNY22,064.8 million, CNY355.9 million (US\$53.6 million) and CNY1,234.6 million (US\$185.8 million). Our negative net operating cash flow was principally attributable to project development and construction, land acquisitions, long-term and capital-intensive nature of property development and our business expansion during such periods. For the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016, we recorded negative net cash flows from investing activities of approximately CNY894.5 million, CNY2,129.9 million, CNY2,762.5 million (US\$415.7 million) and CNY163.8 million (US\$24.6 million). Our negative net investing cash flow was principally attributable to the purchase of fixed assets and intangible assets, cash advances to joint ventures and associates and investments in joint ventures and associates.

In 2013, 2014, 2015 and the six months ended 30 June 2016, we funded our capital expenditure with internal resources and external financing. We cannot assure you that we will not experience negative net cash flows in the future. Negative net operating and investing cash flows require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. On 6 August 2011, S&P downgraded the rating for long-term United States debt to “AA+” from “AAA” for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. More recently, on 23 June 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favoured the exit of the United Kingdom from the European Union (“Brexit”). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. This

event has resulted in a downgrade of the credit ratings of the United Kingdom and the uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

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

We may be adversely affected by the performance of third-party contractors

We engage third-party contractors to provide various services, including piling and foundation, construction, facilities installation, interior decoration and electromechanical installation. We generally select independent contractors through an open tender process. We cannot assure you that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards. If the performance of any independent contractor is not satisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Further, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. In addition, we are expanding our business into other regions in China, Malaysia and Australia, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Rising cost of labour or construction materials, may adversely affect our results of operations

As the result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials have experienced substantial increases in recent years. In addition, the PRC Labour Contract Law (中華人民共和國勞動合同法), that came into effect on 1 January 2008 and amended on 28 December 2012, and its implementing rule enhanced the protection for employees and increased employers' liability which may further increase our labour costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers and procuring construction materials for our property development and bear the risk of fluctuations in wages and construction material prices during the term of the relevant contract. However, we are exposed to the price volatility of labour and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span over several years, or if we choose to hire the construction workers directly or purchase the construction materials directly from suppliers. Furthermore, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to purchasers of our properties if the construction costs increase subsequent to the time of such pre-sale. If we are unable to pass on any increase in the cost of labour or construction materials to either our construction contractors or to the purchasers of our properties, our results of operations may be negatively affected. In addition, if we increase the selling price of our properties as a result of the increase in the cost of labour or construction materials purchasers may be less willing to purchase our properties.

Disputes with joint venture partners or our project development partners may adversely affect our business

We have developed certain projects jointly with other entities through joint ventures or cooperation agreements. Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties.

Additionally, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations.

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See “— Risks Relating to Our Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result”.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party property management companies to conduct the daily operations of our serviced apartments and hotels. Furthermore, our objectives may conflict from time to time with the objectives of our hotel management partners, which may adversely impact the operations and results of operations of our hotels and serviced apartments

We rely and will continue to rely on third-party property management companies to conduct the daily operation of these serviced apartments and hotels. If their performance is not satisfactory to our guests or tenants, the occupancy rate and/or rental value for our hotels and serviced apartments may decrease, and thus adversely affect our results of operations and our reputation. We also may not be able to reduce the costs associated with the management of hotels and serviced apartments in a timely manner in response to changes in demand for those properties. The hotel management partners that operate our hotels and serviced apartments have no exclusive

arrangements with us and own, operate or franchise properties other than our properties, including properties that may compete with our properties. Therefore, our hotel management partners may have interests that differ from or conflict with our own with respect to short-term or long-term goals and objectives. These differences may be significant depending upon many factors, including the remaining term of our management or tenancy agreement, trade area restrictions with respect to competition or differing policies, procedures or practices. Any of these factors may adversely impact the operations and results of operations of our hotels and serviced apartments, which could harm our business, financial condition and results of operations.

The hotel industry is dependent on the levels of business and leisure travel, demand for and supply of hotel rooms and other factors

In the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, revenue from our hotel operations constituted approximately 2.6%, 3.2%, 2.7% and 2.8%, respectively, of our total revenue for such periods. A number of factors, many of which are common to the hotel industry and are beyond our control, could affect our business, including the following:

- adverse economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;
- increased competition and periodic local oversupply of guest accommodation may adversely affect occupancy rates and room rates;
- increases in operating costs due to inflation, labour costs (including the impact of unionisation), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- seasonality in travel patterns;
- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

Many of our hotels are in luxury categories and may be particularly affected by adverse conditions such as those described above. There may not be sufficient and consistent market demand for high-end hotels and serviced apartments in Beijing and its vicinity, Guangzhou and our other target markets in the PRC, and, as a result, our results of operations in these new segments may not be profitable or generate recurring income or cashflow as we expect, and could even operate at a loss.

We incur significant construction and capital expenditures for development and renovation of investment properties and hotels and certain fixed costs in relation to hotel and rental property operations

Unlike properties developed for sale which can be pre-sold (subject to applicable PRC laws relating to pre-sales) to finance other property developments, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the hotel operation or the lease with respect to the relevant investment properties commences. In addition, our existing investment properties and hotels, and all of our future investment properties and hotels, will require continuing capital expenditures associated with renovations and other capital improvements, some of which are mandated by health, safety or other regulations or by the hotel management partners. The cost of construction and capital improvements could have a material adverse effect on our business, financial condition and results of operations. The fixed costs associated with owning hotels and investment properties, including rental property operating and maintenance expenses, hotel operating and maintenance expenses, taxes, other fees and payments, may be significant. There may not be sufficient and consistent market demand for hotels and rental properties in our target markets. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our hotel services or investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations. Moreover, our hotels and investment properties may be subject to increases in operating and other expenses due to adverse changes in contractual terms and increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect our business, financial condition and results of operations.

We may not be able to effectively manage our expansion and growth

While we have historically focused on developing properties in Guangzhou, Beijing and its vicinity and Tianjin, we have expanded into other cities in China such as Shanghai and its vicinity, Hangzhou and its vicinity, Xi'an, Chongqing, Hainan, Taiyuan, Shenyang, Huizhou, Nanjing, Chengdu, Harbin, Datong, Wuxi, Changsha, Meizhou, Fuzhou, Guiyang, Foshan, Zhuhai, Baotou, Zhengzhou and Shijiazhuang and, since 2013, Malaysia and Australia, and intend to further explore other promising markets in China and other countries. We have limited knowledge of the conditions of these other local property markets and little or no experience in property development in these regions and overseas. Our expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in our target regional and overseas markets within a relatively short period of time. As we enter new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behaviour and preferences as compared to the cities where we are an established property developer. In addition, when we enter new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. These potential risks may be particularly acute in Malaysia and Australia where we are operating in foreign countries. Therefore, we cannot assure you that we can successfully execute our contemplated expansion plan or that we will succeed in

effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources. Any failure in effectively managing our expanded operations may materially and adversely affect our business, prospects, results of operations and financial condition.

The property industry in China is still at a relatively early stage of development, and there is a significant degree of uncertainty in the market as a whole

Private ownership of property in China is still at a relatively early stage of development. Demand for residential property has been increasing in recent years. However, increased demand has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and accordingly, it is very difficult to predict when and how much demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential 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. Finally, the risk of over-supply is increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our results of operations

We are required to reassess the fair value of our investment properties as of each balance sheet date. In accordance with HKFRS, gains or losses arising from changes in the fair value of our investment properties should be accounted for in our consolidated income statement in the period in which they arise. Our investment properties were revalued by independent property valuers as of 31 December 2013, 2014 and 2015 and 30 June 2016, respectively, on an open market for existing use basis which reflected market conditions at those dates. Based on such valuation, we recognised the aggregate fair market value of our investment properties on our consolidated balance sheet, and recognised changes in fair values of investment properties and the relevant deferred tax on our consolidated income statement. In 2013, 2014 and 2015 and the six months ended 30 June 2016, the fair value gains on our investment properties, net of tax, were CNY1,827.2 million, CNY1,228.6 million, CNY830.7 million (US\$125.0 million) and CNY538.4 million (US\$81.0 million), respectively, and accounted for approximately 23.9%, 31.4%, 12.4% and 22.2%, respectively, of our profit for the respective periods.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to

create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability could be materially and adversely affected.

We have mortgaged certain properties to secure our borrowings

We have mortgaged certain of our properties to secure some of our general banking facilities. If we default on such banking facilities, the lenders may foreclose such properties we mortgage. Although the terms of our indebtedness and the Notes limit our ability to incur certain liens, we cannot assure you that we will not mortgage our properties or pledge shares in subsidiaries to secure our borrowings in the future. Nor can we assure you that we will not default on any of our borrowings in the future. As of 30 June 2016, we have 14 land use rights and real properties located in Guangzhou, Huizhou, Hainan, Taiyuan and Chongqing that have been mortgaged and registered at the relevant authority to secure certain financing agreements. We still have the legal right to use such land use rights and real properties. As of 30 June 2016, a substantial portion of our assets with total carrying values of CNY59.9 billion (US\$9.0 billion) were pledged to secure our general banking facilities and other borrowings amounting to CNY54.3 billion (US\$8.2 billion).

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

The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property. If a purchaser defaults on a mortgage loan guaranteed by us we may have to repay the mortgage loan. If we fail to do so, the mortgagee bank may foreclose the underlying property and recover any balance from us as the guarantor of the defaulted mortgage loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of 31 December 2013, 2014 and 2015 and 30 June 2016, our outstanding guarantees for the mortgage loans of our customers amounted to CNY16,424.4 million, CNY18,438.1 million, CNY23,530.0 million (US\$3,540.5 million) and CNY25,781.7 million (US\$3,879.3 million), respectively. If any material default by our customers occurs on such loans, we may be required to honour our guarantees and our results of operations and financial position may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts, property damage or personal injury relating to the construction and maintenance of our properties. Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would cover or be sufficient to satisfy all claims, or that we would not be sued or held liable for damages notwithstanding their insurance coverage. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the

course of our business, we may not have sufficient financial resources to cover such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to complete our development projects according to schedule or on budget

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. The progress of, and costs for, a development project can be adversely affected by many factors, including:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licences, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labour disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

Our property projects are at risk from earthquakes, floods and other natural disasters in the regions where we operate. Damage to any of our properties or impact on the markets, whether by natural disasters or otherwise, may either delay or preclude our ability to develop and sell our properties or adversely affect our budget for the projects. We cannot assure you that we will not experience significant delays in completion or delivery of our projects or be subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect our reputation, business, results of operations and financial condition.

Our profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The PBOC has adjusted the benchmark one-year lending rate numerous times in the past in response to the changing PRC and global financial and economic conditions. The benchmark one-year lending rate is currently 4.35%. We cannot assure you that the PBOC will decrease the benchmark one-year lending rate or that the interest rates at which financing will be available to us or our customers will decrease in the future. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any future increase in such benchmark lending rates will increase the interest costs for our property developments.

A substantial portion of the interest expense has been capitalised as properties under development, which will then be recognised in the consolidated statements of comprehensive income as cost of sales upon the sale of properties. As a result, such capitalised interest expense may adversely affect our gross profit margin upon the sales of properties in future.

In addition, increases in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. We cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

The PRC government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract, delay in making payment of land premium or fail to obtain necessary construction permits prior to the commencement of any construction

Under PRC laws and regulations, if we fail to develop a property according to the terms of the land grant contract, including terms relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC government may issue a warning, impose a penalty, and/or take back our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a late payment penalty for every day of delay in payment.

In addition, the PRC government may impose an idle land fee equal to 20% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) total constructed GFA is less than one-third of the total proposed GFA for the development and we suspend construction for more than one year without governmental approval, or (iii) the capital invested in the development is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to take back the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract, unless the delay is caused by force majeure or governmental action. In the Notice on Promoting the Economical and Intensive Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council on 3 January 2008, this policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009 and the Measures on Disposal of Idle Land (閑置土地處置辦法) in June 2012, which reiterate the current rules on idle land. On 12 September 2014, the Ministry of Land and Resources issued the Guidelines on Improving Economical and Intensive Use of Land (關於推進土地節約集約利用的指導意見), which requires relevant governmental authorities to reinforce the implementation of the rules regarding the idle land and to specify the control requirements of land use standards in relevant legal documents, including land use approvals and land grant contracts. The imposition of substantial idle land penalties could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred prior to the date in connection with such land.

Pursuant to the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National Congress on 28 October 2007 and amended on 24 April 2015, and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), if an entity commences construction on any land plot without obtaining necessary construction permits (including construction planning permit, construction commencement permit and inspection acceptance certificates), the relevant PRC government authorities may require such entity (i) to cease construction work; (ii) apply for all relevant permits; (iii) to pay a penalty of up to 10% of the consideration payable under the relevant construction agreement for lack of construction planning permit and (iv) to pay a penalty of up to 2% of the

consideration payable under the relevant construction agreement for the lack of construction commencement permit. There is no assurance that we will be able to obtain all necessary permits in time or at all.

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

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

Our success depends on the continued services of our senior management team

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team. Many members of our senior management team have more than ten years of property development experience in the PRC. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

Property owners may terminate our engagement as the provider of property management services

We engage our own or third-party property management companies on behalf of our purchasers to manage the residential properties we developed. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. In the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, the revenue derived from our property management services was CNY782.9 million, CNY951.0 million, CNY1,065.6 million (US\$160.3 million) and CNY527.4 million (US\$79.4 million), respectively. If the owners of a residential property that we have developed, however,

choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation may be materially and adversely affected which may, in turn, have an adverse effect on our results of operations.

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

We may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including government agencies, contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. See "Business — Legal Proceedings" in this offering memorandum.

In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to investigation, proceedings and unfavorable decrees and publicity that result in potential liabilities, cause delays to our property developments and result in the incurrence of substantial costs and the diversion of resources and management's attention. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

We are subject to legal and business risks and our business may be adversely affected if we fail to obtain or maintain the required qualification certificates and other requisite government approvals

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, the PRC property developer must also obtain various licences, certificates, permits, and approvals from the relevant PRC administrative authorities, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers must submit their qualification certificates to relevant construction administration authorities for review annually. The qualification certificate may be revoked or degraded by the relevant construction administration if the developer fails to meet the requirements for the relevant level of qualification certificate or conducts malpractice.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. We cannot assure you that our project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not

obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. Our wholly owned property management subsidiaries are primarily engaged in the management of the residential and commercial properties we developed. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected. In addition to the above, we cannot assure you that we will not encounter significant problems in satisfying the conditions to, or delays in, the issuance of other necessary licences, certificates, permits or approvals. There may also be delays on the part of the administrative bodies in reviewing and processing our applications and granting licences, certificates, permits or approvals. If we fail to obtain the necessary governmental licences, certificates, permits or approvals for any of our major property projects, or a delay occurs in the government's examination and review process, our development schedule and our sales could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

The value of our properties may be affected if the current ancillary facilities in the vicinity of our residential communities cease to provide services to the owners or users of our properties

The ancillary facilities (e.g., schools, hospitals, public parks) in the vicinity of our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thereby offering a better living environment to our property owners and users. However, we do not operate or manage most of the ancillary facilities. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that some or all of these facilities cease to operate in our residential communities, our properties may become less attractive and less valuable.

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

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

Increase in resettlement costs or similar costs associated with certain property developments may materially and adversely affect our business, financial condition and results of operations

Land parcels acquired by property developers for future development may have existing buildings or other structures or may be occupied by third parties. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners of properties subject to demolition and to provide compensation for their relocation and resettlement costs. The

compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may require an increase in the fees payable in connection with the resettlement process. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan for such owners or residents, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to the Real Estate Industry in China

The PRC government may adopt further measures to slow down growth in the property sector

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, since 2004, the PRC government has introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low-to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after 1 June 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the PRC Ministry of Construction (中華人民共和國建設部) and currently known as the MOHURD, or the Ministry of Construction;

- requiring any first-time home owner using housing reserves (住房公積金) to pay the minimum amount of down-payment at 20% of the purchase price of the underlying property if the underlying property has a unit floor area of less than 90 sq.m. and the purchaser is buying the property as a primary residence, or 30% of the purchase price if the underlying property has a unit floor area of larger than 90 sq.m.;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC one-year benchmark bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC one-year benchmark bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of downpayment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- adjusting the benchmark one-year lending rate published by PBOC multiple times over the past years with the benchmark one-year lending rate as of 30 June 2016 being 4.35%;
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit-taking financial institutions several times in 2011, 2012, 2014, 2015 and in early 2016, with the current ratio ranging from 13.0% to 16.5%, effective as of 1 March 2016; and
- further increasing down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments for those cities with excessive growth in housing prices.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. However, in December 2009 and January 2010, the PRC government adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. At the same time, the PRC government abolished certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposed more stringent requirements on the payment of land premium by property developers. In addition, in April 2010, the PRC government identified certain policy measures to increase down payment for properties purchased with mortgage loans. In January 2011, the PRC government adopted certain new policies to cool down the real estate property market, including increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum mortgage lending interest rate at least 1.1 times the benchmark rate, in certain targeted cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, imposing property tax in certain cities and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. In addition, certain cities including Guangzhou, Tianjin, Beijing, Shanghai, Suzhou, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties one family is allowed to purchase. In July 2012, the PRC government adopted policies to strengthen the enforcement of macroeconomic control on the real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. Residential construction projects shall be commenced within one year from the land title delivery date which is stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. For land user right holders who purposely leave the land idle for the prescribed period, the land user right holders are prohibited from land bidding for a certain period. In February 2013, the State Council requires local government to impose a 20% personal income tax on homeowner for profits received from selling residential properties. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see the section entitled "Regulations — The Land System of the PRC — National Legislation". These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Increasing competition in the property industry in China, particularly in Guangzhou and other tier-I cities where we operate, may adversely affect our business and financial condition

We face competition from a number of property developers. Our existing and potential competitors include private and public developers in the PRC, as well as developers from Hong Kong. Some of them may have greater marketing, financial, technical or other resources than us and greater economies of scale, broader name recognition and more established relationships in the market. In recent years, a large number of property developers have undertaken property development and investment projects, particularly in Beijing, Guangzhou and other cities where we operate. Competition among property developers may cause increases in land premiums and raw

material costs, shortages in quality construction contractors, surpluses in property supply leading to decreased property prices, delays in the issuance of government approvals and permits, and higher costs to attract or retain talented employees.

In addition, the property markets in Guangzhou and elsewhere in the PRC are rapidly changing. Macroeconomic measures have recently been adopted by the PRC government in an attempt to stimulate growth of the PRC's economy and deter investment in real estate assets. If we cannot respond to changes in market conditions in Guangzhou or elsewhere, or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We are exposed to contractual, legal and regulatory risks related to pre-sales

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. We face risks relating to the pre-sale of properties. For example, we may find ourselves liable to the purchasers for their losses, if we pre-sell units in a property development and fail to complete that development. If we fail to complete a pre-sold property on time, our purchasers may claim compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for compensation. A purchaser may also terminate his or her contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our projects, nor that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant contract. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Various PRC authorities and regulators have publicly called for the discontinuance or abolishment of pre-sales, or to impose tighter regulations on such practice. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved

plans as set out in the relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognise the related pre-sale proceeds as revenue. Moreover, excess GFA requires governmental approval, and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements.

Certain of our existing projects have exceeded the total permitted GFA applicable to such developments. We cannot assure you that constructed total GFA for each of our other existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas do not conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, business, results of operations and financial condition.

The terms on which mortgage loans are available, if at all, may affect our sales

Substantially all of the purchasers of our properties rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers.

The PRC government has enacted various laws and regulations governing terms of mortgage financing for our customers, including minimum down payment requirements, minimum mortgage loan interest rates, limitations on pre-sales, maximum mortgage term lengths, the suspension of mortgage loans to certain investors, and limits on how many houses a household can buy. See “Regulations — The Land System of the PRC — Real Estate Loans.” If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

Potential liability for environmental damages could result in substantial cost increases

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. Although the environmental inspection conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, results of operations or financial condition, there may be potential material environmental liabilities of which we are unaware. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see "Business — Environmental and Safety Matters" in this offering memorandum.

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

Risks Relating to China

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

Our business is affected by economic conditions in the PRC. In 2015, the PRC economy recorded Gross Domestic Product growth of 6.9% which represented its lowest growth rate in the last 10 years, as the PRC government continued to focus on making structural reforms to boost the long-term sustainability of the economy. In addition, the PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- 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 more than three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC 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. Other political, economic and social factors may also lead to further adjustments of the reform measures. 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 that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We receive substantially all our revenue in Renminbi. We must convert our Renminbi earnings into foreign currency before we can service our foreign currency denominated obligations and our obligations under the Notes. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans or debt denominated in foreign currencies. These limitations on the flow of funds could restrict our ability to act in response to changing market conditions.

Income tax obligations of R&F HK may increase and dividends from certain PRC subsidiaries may be subject to withholding tax under PRC tax laws

Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the “EIT Law”), effective 1 January 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006 and amended on 29 December 2015, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. However, according to a Circular of the PRC State Administration of

Taxation dated 27 October 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

R&F HK conducts a substantial portion of its operations through its Hong Kong and BVI subsidiaries, some of which have operating subsidiaries located in the PRC. Dividend payments made by PRC subsidiaries to R&F HK’s BVI subsidiaries may be subject to the 10% PRC withholding tax. Dividend payments made by PRC subsidiaries to R&F HK’s Hong Kong subsidiaries may not continue to enjoy the 5% PRC tax rate. As a result, our financial conditions may be materially and adversely impacted.

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

Since our Company is a PRC resident enterprise and R&F HK conducts, through its indirect subsidiaries, some operations in the PRC, the interest payable on the Notes may be considered to be sourced within China under the EIT Law. As such, PRC income tax at the rate of 10% may need to be withheld from interest payable on the Notes to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realised on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

If we or R&F HK is required under the EIT Law to withhold PRC income tax on our interest payable to non-resident Holders who are “non-resident enterprises”, we will be required, subject to certain exceptions based on the applicable tax treaty, to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Notes, the value of your investment in the Notes may be materially and adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if we or R&F HK is considered a PRC “resident enterprise”.

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

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws 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 organisation 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, because 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 of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. For example, we have registered the issuance of the Notes with Guangdong DRC pursuant to the NDRC Notice and the Guangdong DRC Notice and are required to file a post-issuance report with Guangdong DRC within 10 working days in the PRC pursuant to the registration certificate. As the NDRC Notice and the Guangdong DRC Notice are new regulations, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC and Guangdong DRC. For example, the certificate from Guangdong DRC evidencing the registration states that the effective issuance period for the Notes is up to the end of December 2016. However, there is no definition or interpretation as to what constitutes the completion of the issuance of the Notes. Notwithstanding the ambiguity, we intend to report the issuance including the pricing and closing arrangements and timing to the Guangdong DRC within 10 working days after the issue of the Notes in accordance with the applicable rules of the Guangdong DRC. If we fail to complete such filing in accordance with the relevant requirements, we may be subject to penalties or other enforcement actions by relevant PRC government authorities. 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 cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

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 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in April 2013 and resulted in tremendous loss of lives and destruction of assets in the region. We have three projects located in Chengdu, approximately 100 kilometers from the earthquake's epicenter in Lushan County, Sichuan Province. Based on our investigation and site inspections, our properties in Sichuan Province did not suffer any material damage or loss as a result of the earthquake. However, earthquakes with such magnitude may adversely affect our ability to complete and sell or lease our properties as scheduled or cause material damage or loss to our properties. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, 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.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy, the PRC real estate industry and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other

information compiled within or outside China. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Lead Managers or any of our or its affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum.

Risks Relating to the Real Estate Industry in Malaysia

The Malaysian government has adopted measures to slow down growth in the property sector

As part of the measures to curb property speculation and stabilize property prices, the Malaysian government has since announced certain measures as part of the 2014 Budget.

- With effect from 1 January 2014 and subject to certain exemptions and/or exceptions, the RPGT has been revised upwards. RPGT will be chargeable at a rate of 30% for dispositions within 3 years of acquisition for companies and individuals who are Malaysian citizens and permanent residents. For dispositions in the fourth year after acquisition, RPGT will be chargeable at a rate of 20% for companies and individuals who are Malaysian citizens and permanent residents. For dispositions in the fifth year after acquisition, RPGT will be chargeable at a rate of 15% for companies and individuals who are Malaysian citizens and permanent residents. For dispositions thereafter, RPGT will be chargeable at a rate of 5% for companies and individuals who are non-citizens while Malaysian citizens and permanent residents will be exempted from RPGT. Individuals who are non-citizens are subject to RPGT at a flat rate of 30% for any disposition within five (5) years from acquisition and 5% for dispositions thereafter.
- The minimum price of property that may be purchased by foreigners will be raised from RM500,000 to RM1,000,000. The Selangor State has increased the minimum purchase price of property in Selangor to RM2,000,000 for foreigners.
- The Developer Interest Bearing Scheme (DIBS) was disallowed. As such, *inter alia*, developers will no longer be able to incorporate interest rates on loans into housing prices during the construction period and financial institutions are no longer able to provide final funding for projects involving DIBS.
- Bank Negara Malaysia, being the central bank of Malaysia, announced measures capping mortgages at 35 years.

The Malaysian government may introduce further policies and measures to curtail growth in the property sector. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Risks Relating to the Notes

We conduct a substantial portion of our operations through our PRC subsidiaries and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries

We conduct a substantial portion of our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries or the other Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, some of which are held through the Subsidiary Guarantors and may be held by JV Subsidiary Guarantors or Non-Guarantor Subsidiaries in the future. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend, in part, upon our receipt of dividends from our subsidiaries. See “— Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.”

Creditors, including trade creditors of our PRC subsidiaries and our Offshore Non-Guarantor Subsidiaries and any holders of preferred shares in such entities would have a claim on the assets of the relevant PRC subsidiary or Offshore Non-Guarantor Subsidiary that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our PRC subsidiaries, our Offshore Non-Guarantor Subsidiaries and all claims of creditors of our PRC subsidiaries or Offshore Non-Guarantor Subsidiary will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. The Notes and the Trust Deed do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

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

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of 31 December 2013, 2014 and 2015 and 30 June 2016, our total bank loans were CNY31,136.2 million, CNY34,538.7 million, CNY38,921.2 million (US\$5,856.4 million) and CNY40,867.2 million (US\$6,149.2 million), respectively. As of 30 June 2016, we had a total

amount of CNY33,707.5 million (US\$5,071.9 million) of corporate bonds outstanding from the issuance of our 2015 Corporate Bonds and 2016 Corporate Bonds, a total principal amount of US\$1,000.0 million of the 2019 Notes outstanding and a total principal amount of US\$600.0 million of the 2020 Notes outstanding. As of the same date, we had other borrowings equivalent to CNY22,651.7 million (US\$3,408.4 million) and finance lease liabilities equivalent to CNY36.9 million (US\$5.6 million) outstanding. In addition, as of 30 June 2016, we had a total amount of CNY2,404.1 million (US\$361.7 million) of perpetual capital instruments outstanding. We have also, since 30 June 2016, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes.

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

- limit our ability to satisfy our obligations under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2019 Notes, the 2020 Notes, the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

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

additional debt, the ratings assigned to the Notes by any rating agency may be adversely affected which could adversely affect the market price of the Notes. See “— The Ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future”.

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

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

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

We may depend, in part, on the receipt of dividends or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2019 Notes, the 2020 Notes and the Notes. The ability of our subsidiaries to pay dividends or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2019 Notes, the 2020 Notes and the Notes. Further, certain loan agreements in relation to project loans obtained by our PRC subsidiaries from PRC lender banks contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. See “Description of Material Indebtedness and Other Obligations”. Although such project loans typically do not require requisite consent or notice from the lender bank, these restrictions could have a negative impact on the calculation of our EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In practice, our PRC project companies may pay dividends only after the completion of the project development, at least the development of a phase or a stand-alone tower or building, and the revenue recognition but also the required government tax clearance and foreign exchange procedures.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or advances from our subsidiaries to satisfy our obligations under the Notes, the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2019 Notes and the 2020 Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

The terms of the Notes give us enhanced flexibility to pay dividends and repurchase our shares.

We pay dividends to our shareholders from time to time. Under the Trust Deed, any such dividend payment will be a “Restricted Payment”, which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the Terms and Conditions of the Notes, we may pay dividends on our common stock or repurchase our common stock in an aggregate amount up to 25% of our consolidated profit for the year without satisfying the Fixed Charge Coverage Ratio. In addition, we may pay dividends on our common stock with respect to the fiscal year ended 31 December 2016 in an aggregate amount up to 40% of our consolidated profit for such year without any restrictions. With such exceptions, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

We may not be able to effectively reduce our exposure to exchange rate fluctuations between Renminbi and other currencies.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In addition, following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Joint Lead Managers and their respective affiliates may enter into such hedging agreements permitted under the Trust Deed, and these agreements may be secured by pledges of our cash and other assets as permitted under the Trust Deed. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such

early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

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

The Issuer may be required to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Terms and Conditions of the Notes”.

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

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

The insolvency laws of the PRC and other local insolvency laws may differ from English insolvency law or those of another jurisdiction with which holders of the Notes are familiar

Because we are incorporated under the laws of the PRC, an insolvency proceeding relating to us, even if brought in the United Kingdom, would likely involve PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of English insolvency law. In addition, R&F HK, the Issuer and the Subsidiary Guarantors are incorporated in BVI, Hong Kong, Malaysia or Singapore and the insolvency laws of BVI, Hong Kong, Malaysia or Singapore may also differ from the laws of the United Kingdom or other jurisdictions with which the holders of the Notes are familiar.

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

If we are unable to comply with the restrictions and covenants in the Trust Deed, or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate

their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements or documents, including the Trust Deed, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under our other debt agreements, including the Trust Deed. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favourable or acceptable to us.

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

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

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

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

The Terms and Conditions governing the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest, such as the Asian Games City project) and such joint ventures may or may not be Restricted Subsidiaries. Although the Terms and Conditions governing the Notes restrict us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority owned joint ventures, these restrictions are subject to important exceptions and qualifications including, among others, that we may, subject to certain conditions, make investments in any Unrestricted Subsidiaries and minority-owned joint ventures up to an aggregate amount equal to 25% of our total assets (of which, an aggregate amount equal to 5% of our total assets would not even be required to satisfy the Fixed Charge Coverage Ratio). See paragraph (16) of the definition of “Permitted Investment” in “Terms and Conditions of the Notes”.

Payments with respect to the Notes may be subject to U.S. withholding tax under FATCA, in which case you will not be entitled to receive any additional amounts in respect of the tax withheld

The Foreign Account Tax Compliance Act provisions of the Hiring Incentives to Restore Employment Act (generally referred to as “FATCA”) impose a U.S. federal withholding tax of 30% on certain payments to certain non-U.S. entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of certain interests in or accounts with those entities) have been satisfied. The scope of FATCA, as enacted, is not entirely clear, and future U.S. Treasury regulations may be issued that broaden or change the scope of FATCA. If such future U.S. Treasury regulations subject payments with respect to the Notes to FATCA, or if a paying agent believes payments with respect to the Notes are subject to FATCA, you may be required to provide certain information to the paying agent to avoid withholding under FATCA on payments that you receive with respect to the Notes. In the event that any tax is withheld under FATCA from payments with respect to the Notes, we will not be required to pay additional amounts in respect of the amounts withheld, and you may need to pursue a refund of any excess amounts withheld from the U.S. Internal Revenue Service. You should consult your tax advisor regarding the potential application of FATCA to the Notes.

One or more of the initial investors may own a significant percentage or a majority of the Notes and may therefore be able to exercise certain rights and powers on behalf of all holders.

One or more of the initial investors may purchase a significant percentage or a majority of the aggregate principal amount of the Notes. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Trust Deed and related documents. Any investor that holds a majority in aggregate principal amount of the Notes will be able to exercise certain rights and powers on behalf of all holders and control the outcome of votes on certain matters. For example, subject to certain exceptions, the Trust Deed and the Notes may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the Notes then outstanding; and subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding. In addition, any investor that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders.

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

The Notes may be distributed to only a few initial investors and therefore the trading volume and liquidity of the Notes may be limited. Although approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Joint Lead Managers intend to make a market in the Notes, but the Joint Lead Managers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Plan of Distribution.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

We have been given a corporate rating of “Ba3” with a stable outlook by Moody’s, “B+” with a stable outlook by S&P and “BB” with a negative outlook by Fitch. The Notes are expected to be rated “BB” by Fitch. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may materially and adversely affect the market price of the Notes.

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

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under

the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the Trustee for any such transactions.

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

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which may differ in certain significant respects from generally accepted accounting principles in other jurisdictions which may in turn be material to the financial information contained in this offering memorandum. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and any other generally accepted accounting principles and how those differences might affect the financial information contained in this offering memorandum.

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

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

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this offering memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an event of default under the Conditions and the Trust Deed, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

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

In certain circumstances (including without limitation the giving of notice or the taking any action pursuant to Condition 11 of the Notes) each of the Trustee and the Security Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or

prefunding to its satisfaction before it takes actions on behalf of such holders and neither the Trustee nor the Security Trustee shall be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken and the Trustee or the Security Trustee (as the case may be) may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or any other transaction document and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

The initial Subsidiary Guarantors do not currently have significant operations

None of our current PRC subsidiaries or the other Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organised under the laws of the PRC, the Issuer, that are our wholly owned subsidiaries and that such indebtedness is guaranteed by R&F HK (the “Exempted Finance Subsidiaries”), that are not permitted by applicable laws or regulation to guarantee the Notes (the “Exempted Subsidiaries”), or that are listed on a qualified exchange and their subsidiaries (the “Listed Subsidiaries”) will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of these subsidiaries (other than the Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and the other Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries or the other Non-Guarantor Subsidiaries.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. See “— Risks Relating to the Notes — We conduct a substantial portion of our operations through our PRC subsidiaries and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries”.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency laws in the British Virgin Islands, Malaysia or Singapore or bankruptcy law, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established or where insolvency proceeding may be commenced with respect to any such Subsidiary Guarantor or JV Subsidiary Guarantor, a guarantee

could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For Subsidiary Guarantors incorporated in the British Virgin Islands:

- i. incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- ii. put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- iii. received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor; or
- iv. in the cases of ii and iii above, a guarantee will only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due.

Additionally, a guarantee will only be vulnerable if is given within the six month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years.

For Subsidiary Guarantors incorporated in Hong Kong and Singapore:

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

For any Subsidiary Guarantor incorporated in Malaysia, the enforcement of the guarantee or the security interests by such Subsidiary Guarantor incorporated in Malaysia under Malaysian law may be affected by prescription or lapse of time, bankruptcy, insolvency, liquidation, reorganization, reconstruction or similar laws affecting the rights of creditors. Other laws and defences limiting or affecting enforcement may also apply, including those relating to voidable preference, undervalue transaction, disclaimer of onerous property, financial assistance, laws whereby certain security interests created later than a certain time prior to the commencement of insolvency proceedings are avoided, subordination, set-off, counterclaim as well as general principles

of equity. Amongst other applicable laws, the Companies Act 1965 and the Companies (Winding-up) Rules prescribe situations under which the guarantee or the security interests granted by such Subsidiary Guarantor incorporated in Malaysia may be voidable by a Malaysian court.

Approval from the Malaysian central bank, Bank Negara Malaysia, is required in respect of a guarantee exceeding RM50,000,000 (or its equivalent amount) in aggregate by any Subsidiary Guarantor incorporated in Malaysia in favour of a non-Malaysian resident entity not within such Malaysian Subsidiary Guarantor's group of entities. Non-approval does not affect the validity or legality of the guarantee except that the company will not be permitted under the Malaysian foreign exchange regulations to make payments of any sum under such guarantee to the non-Malaysian resident beneficiary until approval from Bank Negara Malaysia is obtained. R&F Development Sdn Bhd and R&F Mega Realty Sdn Bhd, the initial Subsidiary Guarantors incorporated in Malaysia, are currently applying for such approval from Bank Negara Malaysia.

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

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

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

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

The Intercreditor Agreement may impair the ability of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors to pay amounts due under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees, and the Intercreditor Agreement may limit the rights of the holders of the Notes to the Collateral

Provided the Collateral Agent is, to the extent requested, indemnified in respect of actions to be taken, it is required to take action to enforce the Collateral in accordance with the instructions of the secured creditors given under the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect our entitlement to receive proceeds from the Collateral, which will, in turn, have an adverse impact on the Issuer's ability to fulfill its payment obligations under the Notes. Further, the ability of the Subsidiary Guarantors to pay under the Subsidiary Guarantees will be adversely affected.

The ability of the holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, any secured party under the Intercreditor Agreement, including the trustee for holders of the 2020 Notes, the Trustee or the holders of any future Permitted *Pari Passu* Secured Indebtedness, may decide whether to take any enforcement action and thereafter, through the Trustee and/or the trustee for holders of the 2020 Notes, subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Collateral Agent to take such enforcement action. In addition, by virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to you. In such event, the only remedy available to the holders of the Notes would be to sue for payment on the Notes, the Subsidiary Guarantees, the JV Guarantees and the Collateral. For a description on the Intercreditor Agreement, see "Terms and Conditions of the Notes — Security — Intercreditor Agreement", and "— The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness".

Citicorp International Limited, acting in its capacity as Collateral Agent, will only have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are expressly set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying trust deeds that are in conflict with the interests of the holders of the Notes and the 2020 Notes, for which Citicorp International Limited acts in a capacity as trustee.

The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, unless the Collateral Agent shall have received written instructions and to the extent requested, appropriate indemnification in respect of actions to be taken.

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings

Security over the Collateral for the obligations of the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors under the Notes and the Trust Deed will not be granted directly to the holders of the Notes but will be granted only in favor of the Collateral Agent on behalf of the Trustee and the Security Trustee and the other secured parties under the Intercreditor Agreement.

As a consequence, holders of the Notes will not have direct security over the Collateral and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

In addition, the Trust Deed provides that the proceeds of enforcement of the security over the Collateral will be shared equally and ratably among the holders of the 2020 Notes, the Notes and any future Permitted *Pari Passu* Secured Indebtedness. For a further discussion of the Intercreditor Agreement, see “Terms and Conditions of the Notes — Security — Intercreditor Agreement”.

Because the proceeds of enforcement of the security over the Collateral will be shared equally and ratably with creditors under other financings, the full value of the Collateral will not be available to satisfy the Noteholders’ claims. The Trust Deed also permits us to enter into certain future financings, and creditors under those future financings may share the proceeds of enforcement of the security over the Collateral *pari passu* with the holders of the Notes. See “Terms and Conditions of the Notes — Security — Permitted *Pari Passu* Secured Indebtedness” for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the Intercreditor Agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the Noteholders’ claims, which could have a material adverse effect on the ability of the holders of the Notes to recover sufficient proceeds to satisfy their claims under the Notes. Guarantor or JV Subsidiary Guarantor whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The pledge of certain Collateral may in some circumstances be voidable

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the British Virgin Islands, Malaysia or Singapore at any time within six months of the creation of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under “— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees”. If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness

The Collateral will initially consist of the Capital Stock of the Issuer and the initial Subsidiary Guarantors (other than R&F HK) and the Interest Reserve Account together with the rights and obligations under the Account Bank Agreement). The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an

acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral (as defined herein) can be shared on a *pari passu* basis by the holders of the Notes and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors and the JV Subsidiary Guarantees of the JV Subsidiary Guarantors (if any) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees and JV Subsidiary Guarantees of the relevant Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees and JV Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Trust Deed.

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Trust Deed, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

Risks Relating to the Keepwell Deed and the Equity Interest Purchase Undertaking

The Keepwell Deed is not a guarantee of the payment obligations under or in respect of the Notes

The Company will enter into a keepwell deed with the Issuer, R&F HK and the Trustee as more fully described in "Description of the Keepwell Deed". Neither the Keepwell Deed nor any actions taken by the Company, as the case may be, thereunder can be deemed as a guarantee by the Company for the payment obligations of the Issuer, R&F HK, the Other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) under the Notes, the Subsidiary Guarantees or any JV Subsidiary Guarantees (if any). Upon the occurrence of an Event of Default, the Company will only be obliged to make sufficient funds available to the Issuer and R&F HK rather than jointly or severally assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in arranging for sufficient funds to enable the Issuer and R&F HK to meet their respective payment obligations under or in respect of the Notes, such performance may be subject to obtaining all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies, including PRC approvals from MOFCOM and SAFE.

Performance by the Company of its undertakings under the Equity Interest Purchase Undertaking applies only upon the occurrence of an Event of Default and is subject to the necessary approvals and other authorisations of the relevant authorities and other bodies

The Company intends to assist the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to meet their respective obligations by entering into the Equity Interest Purchase Undertaking. Under the Equity Interest Purchase Undertaking, upon the occurrence of an Event of Default and following notice from the Trustee, the Company agrees to purchase from R&F HK or any Subsidiary of the Company incorporated outside the PRC (each, a “Relevant Transferor”) the equity interest in certain of their PRC-incorporated subsidiaries at a purchase price not lower than the amount sufficient to enable the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to discharge all of their respective outstanding obligations under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). Performance by the Company of the Equity Interest Purchase Undertaking is subject to obtaining all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies, including, *inter alia*, PRC approvals from:

- (a) the MOFCOM or its local counterpart in respect of the transfer of the equity interest in the PRC-incorporated subsidiaries from the Relevant Transferor to the Company;
- (b) the PRC State Administration for Industry and Commerce, or its local counterpart, in respect of the transfer of the equity interest in the PRC-incorporated subsidiaries from the Relevant Transferor to the Company;
- (c) the relevant PRC tax authorities in respect of withholding tax for the Relevant Transferor; and
- (d) SAFE in respect of (i) changing the SAFE registration of the PRC-incorporated companies being sold and (ii) the remittance of the purchase price from the Company in the PRC to the Issuer and R&F HK, outside of the PRC.

Additionally, performance by the Company of the Equity Interest Purchase Undertaking is subject to the Company and relevant subsidiaries obtaining any necessary consents from joint venture partners, minority shareholders and/or creditors.

As the approval and consent process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain the requisite approvals and consents in a timely manner or at all. In the event that the Company fails to obtain the requisite approvals and consents, the Issuer, R&F HK, the other Subsidiary Guarantors and/or the JV Subsidiary Guarantors may have insufficient funds to discharge their respectively outstanding payment obligations to the holders of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

In addition, given the obligation to purchase by the Company under the Equity Interest Purchase Undertaking only arises following the occurrence of an Event of Default, any sales proceeds ultimately received by the Issuer, R&F HK, the other Subsidiary Guarantors and/or the JV Subsidiary Guarantors may be subject to the insolvency claims of, or other enforcement action taken by, their respective creditors. The Trustee may be required to make a claim in the liquidation of the Issuer, R&F HK, the other Subsidiary Guarantors and/or the JV Subsidiary Guarantors for the payment for any amounts then owed by such parties under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and the Trust Deed, as applicable.

Moreover, if the Relevant Transferor is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor. The Issuer will be reliant on the Company and R&F HK to procure such Relevant Transferor to promptly lend or distribute the sale proceeds to the Issuer, which may be impaired by the insolvency claims of, or other enforcement action taken by, the respective creditors of such Relevant Transferor.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses, will be approximately US\$260.0 million. We intend to use the net proceeds to finance our overseas projects under China's "One Belt One Road" strategy and for general corporate purposes.

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

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On 18 May 2007, PBOC enlarged, the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on 16 April 2012 and 2.0% on 17 March 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity rate of the RMB against the U.S. dollar depreciated by nearly 2.0% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. The International Monetary Fund announced on 30 September, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate at an increasing rate. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(CNY per US\$1.00)		
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2303	6.3085	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.1870	6.4896
2016				
June	6.6459	6.5892	6.6481	6.5590
July	6.6371	6.6771	6.7013	6.6371
August	6.6776	6.6466	6.6778	6.6239
September	6.6693	6.6729	6.6855	6.6625
October	6.7735	6.7303	6.7819	6.6685
November	6.8837	6.8402	6.7534	6.9195
December (through December 23)	6.9432	6.9125	6.9580	6.8771

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates for periods in 2014, which are determined by averaging the daily rates during the respective periods.
- (2) On 23 December 2016, the noon buying rate was US\$1.00 = CNY6.9432.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(HK\$ per US\$1.00)		
2011	7.7634	7.7841	7.8087	7.7634
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016				
June	7.7591	7.7620	7.7709	7.7568
July	7.7588	7.7568	7.7588	7.7540
August	7.7568	7.7560	7.7609	7.7528
September	7.7554	7.7566	7.7591	7.7539
October	7.7549	7.7570	7.7600	7.7536
November	7.7566	7.7560	7.7546	7.7581
December (through December 23)	7.7587	7.7591	7.7674	7.7547

Source: Federal Reserve H.10 Statistical Release

Notes:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rates for periods in 2014, which are determined by averaging the daily rates during the respective periods.
- (2) On 23 December 2016, the noon buying rate was US\$1.00 = HK\$7.7587.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth on an actual basis the borrowings and capitalisation of the Group as of 30 June 2016 and as adjusted to give effect to the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. Except as otherwise disclosed herein, there has been no material change in our capitalisation since 30 June 2016.

	As of 30 June 2016			
	Actual		As Adjusted	
	CNY	US\$	CNY	US\$
	(in thousands)			
Cash	28,975,608	4,359,922	30,652,907	4,612,303
Restricted cash	8,259,825	1,242,845	8,310,460	1,250,464
Total	<u>37,235,433</u>	<u>5,602,767</u>	<u>38,963,367</u>	<u>5,862,767</u>
Short-term borrowing⁽¹⁾				
Bank loans — secured	1,325,500	199,446	1,325,500	199,446
Bank loans — unsecured	423,000	63,648	423,000	63,648
Other borrowings	3,073,330	462,440	3,073,330	462,440
Current portion of long-term borrowings	25,064,136	3,771,368	25,064,136	3,771,368
Total short-term borrowings	<u>29,885,966</u>	<u>4,496,903</u>	<u>29,885,966</u>	<u>4,496,903</u>
Long-term borrowings⁽²⁾⁽³⁾				
Bank loans — secured	33,656,560	5,064,259	33,656,560	5,064,259
Bank loans — unsecured	5,462,100	821,875	5,462,100	821,875
Corporate Bonds	33,707,496	5,071,923	33,707,496	5,071,923
Senior notes ⁽⁴⁾	10,506,758	1,580,938	10,506,758	1,580,938
Notes to be issued	—	—	1,727,934	260,000
Other borrowings	19,578,348	2,945,929	19,578,348	2,945,929
Finance lease liabilities	36,930	5,557	36,930	5,557
Less: current portion of long-term borrowings	(25,064,136)	(3,771,368)	(25,064,136)	(3,771,368)
Total long-term borrowings	<u>77,884,056</u>	<u>11,719,113</u>	<u>79,611,990</u>	<u>11,979,113</u>
Equity				
Issued capital	805,592	121,216	805,592	121,216
Other reserves	4,454,644	670,285	4,454,644	670,285
Share held for Share Award Scheme	—	—	—	—
Retained earnings	37,629,038	5,661,993	37,629,038	5,661,993
Perpetual capital instruments	2,404,067	361,737	2,404,067	361,737
Non-controlling interests	318,367	47,904	318,367	47,904
Total equity	<u>45,611,708</u>	<u>6,863,135</u>	<u>45,611,708</u>	<u>6,863,135</u>
Total capitalisation⁽⁵⁾	<u>123,495,764</u>	<u>18,582,248</u>	<u>125,223,698</u>	<u>18,842,248</u>

Notes:

- (1) Short-term borrowings include the current portion of long-term borrowings.
- (2) Long-term borrowings exclude the current portion of long-term borrowings.
- (3) We have also, since 30 June 2016, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes.
- (4) Senior notes include the 2019 Notes with a total outstanding principal amount of US\$1,000.0 million and the 2020 Notes with a total outstanding principal amount of US\$600.0 million. We will redeem the 2019 Notes and 2020 Notes in full on 10 January 2017 and 24 January 2017, respectively. Upon completion of the redemption, all the outstanding 2020 Notes and 2019 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2020 Notes and 2019 Notes, will be removed as a secured party under the Intercreditor Agreement. See “Description of Material Indebtedness and Other Obligations — 2020 Notes” and “Description of Material Indebtedness and Other Obligations — 2019 Notes”.
- (5) Total capitalisation includes total long-term borrowings plus total equity.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated income statement data for the years ended 31 December 2013, 2014 and 2015 and the selected consolidated balance sheet data as of 31 December 2013, 2014 and 2015 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for the years ended 31 December 2014 and 2015, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included elsewhere in this offering memorandum. The selected condensed consolidated income statement data for the six months ended 30 June 2015 and 2016 and the selected condensed consolidated balance sheet data as of 30 June 2016 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future years. Results for interim periods are not indicative of results for the full year. The selected financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, including the notes thereto, which are included elsewhere in this offering memorandum.

Selected Consolidated Income Statement Data of the Group

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands)						
Revenue	36,271,284	34,705,410	44,290,924	6,664,398	12,719,140	22,389,435	3,368,909
Cost of sales	(22,036,298)	(22,391,431)	(30,083,853)	(4,526,679)	(8,971,554)	(16,706,704)	(2,513,836)
Gross profit	14,234,986	12,313,979	14,207,071	2,137,720	3,747,586	5,682,731	855,073
Other income and other gains							
— net ⁽¹⁾	2,728,953	2,030,304	1,518,092	228,425	899,985	916,305	137,875
Selling and marketing costs	(626,089)	(896,059)	(896,657)	(134,919)	(370,000)	(521,826)	(78,518)
Administrative expenses	(1,838,631)	(2,220,501)	(2,409,572)	(308,396)	(1,122,997)	(1,208,172)	(181,792)
Operating profit	14,499,219	11,227,723	12,418,934	1,868,661	3,154,574	4,869,038	732,638
Finance costs	(1,933,742)	(1,215,921)	(2,153,995)	(324,109)	(511,925)	(1,000,874)	(150,600)
Share of results of joint ventures . .	357,253	169,789	1,343,455	202,146	254,564	178,463	26,853
Share of results of associates	(50,901)	(25,205)	(18,893)	(2,843)	(5,100)	(14,854)	(2,235)
Profit before income tax	12,871,829	10,156,386	11,589,501	1,743,857	2,892,113	4,031,773	606,656
Income tax expenses	(5,226,181)	(3,649,997)	(4,877,229)	(733,870)	(1,191,481)	(1,607,614)	(241,896)
Profit for the year/period	7,645,648	6,506,389	6,712,272	1,009,987	1,700,632	2,424,159	364,760

Notes:

- (1) Since 2015, we have consolidated “other gains — net” and “other operating income”, which were used in our financial statements for 2013 and 2014 included elsewhere in this offering memorandum, into “other income and other gains — net” due to better presentation of financial statement line items.

Other financial data

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands, except percentages)						
EBITDA⁽¹⁾	15,336,042	12,848,699	14,561,859	2,191,104	3,774,584	6,016,955	905,363
EBITDA Margin⁽²⁾	42.3%	37.0%	32.9%	32.9%	29.7%	26.9%	26.9%

Notes:

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

Selected Consolidated Balance Sheet Data of the Group

	As of 31 December				As of 30 June	
	2013	2014	2015	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	1,098,345	1,198,045	1,264,041	190,199	1,476,657	222,191
Property, plant and equipment	6,566,671	7,495,641	9,009,864	1,355,703	9,964,439	1,499,336
Investment properties	15,888,187	18,047,632	19,251,951	2,896,816	21,044,983	3,166,611
Intangible assets	897,836	977,958	1,034,849	155,712	1,063,044	159,955
Interests in joint ventures	4,258,931	4,617,519	5,954,631	895,986	6,211,190	934,590
Interests in associates	122,600	86,213	71,052	10,691	91,791	13,812
Deferred income tax assets	3,217,888	2,927,764	3,295,186	495,822	3,885,435	584,636
Available-for-sale financial assets	281,400	535,477	645,140	97,073	592,890	89,211
Trade and other receivables and prepayments	1,450,024	3,772,884	4,046,552	608,879	1,173,175	176,526
	<u>33,781,882</u>	<u>39,659,133</u>	<u>44,573,266</u>	<u>6,706,882</u>	<u>45,503,604</u>	<u>6,846,869</u>
CURRENT ASSETS						
Properties under development	56,111,099	81,327,691	78,671,926	11,837,663	78,224,863	11,770,394
Completed properties held for sale	10,992,876	17,222,116	22,427,988	3,374,710	24,948,703	3,753,999
Inventories	297,920	358,831	414,888	62,428	411,195	61,872
Trade and other receivables and prepayments	13,162,768	10,890,728	13,576,168	2,042,788	16,530,761	2,487,362
Tax prepayments	1,656,242	2,551,852	2,784,288	418,948	2,783,475	418,826
Restricted cash	6,622,173	6,339,497	6,814,094	1,025,308	8,259,825	1,242,845
Time deposits	—	—	500,000	75,234	107,721	16,209
Cash and cash equivalents	17,722,162	13,490,425	13,970,313	2,102,095	28,975,608	4,359,922
	<u>106,565,240</u>	<u>132,181,140</u>	<u>139,159,665</u>	<u>20,939,175</u>	<u>160,242,151</u>	<u>24,111,430</u>
Total assets	<u>140,347,122</u>	<u>171,840,273</u>	<u>183,732,931</u>	<u>27,646,057</u>	<u>205,745,755</u>	<u>30,958,298</u>
EQUITY						
Share capital	805,592	805,592	805,592	121,216	805,592	121,216
Retained earnings	27,129,554	30,749,658	35,404,023	5,327,198	37,629,038	5,661,993
Shares held for Share Award Scheme	(172,563)	(128,711)	(88,947)	(13,384)	—	—
Other reserves	4,344,253	4,538,822	4,590,948	690,794	4,454,644	670,285
Perpetual capital instruments	1,000,000	15,648,416	7,977,869	1,200,420	2,404,067	361,737
Non-controlling interests	375,207	531,785	527,895	79,432	318,367	47,904
Total equity	<u>33,482,043</u>	<u>52,145,562</u>	<u>49,217,380</u>	<u>7,405,676</u>	<u>45,611,708</u>	<u>6,863,135</u>
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	43,352,514	4,553,602	49,759,398	7,487,232	77,884,056	11,719,113
Deferred income tax liabilities	596,257	3,278,908	3,935,947	592,237	4,659,293	701,078
Accruals and other payables	3,589,702	171,222	—	—	—	—
	<u>47,538,473</u>	<u>49,003,732</u>	<u>53,695,345</u>	<u>8,079,469</u>	<u>82,543,349</u>	<u>12,420,191</u>
CURRENT LIABILITIES						
Aceruals and other payables	17,781,734	19,270,956	18,727,912	2,817,965	17,708,821	2,664,623
Deposits received on sale of properties	13,777,892	19,225,725	18,407,668	2,769,778	19,958,557	3,003,138
Current income tax liabilities	9,671,667	10,089,230	11,005,384	1,655,966	10,037,354	1,510,308
Short-term borrowings	2,549,535	3,085,000	5,661,596	851,893	4,821,830	725,535
Current portion of long-term borrowings	15,545,778	19,020,068	27,017,646	4,065,310	25,064,136	3,771,368
	<u>59,326,606</u>	<u>70,690,979</u>	<u>80,820,206</u>	<u>12,160,912</u>	<u>77,590,698</u>	<u>11,674,972</u>
Total liabilities	<u>106,805,079</u>	<u>119,694,711</u>	<u>134,515,551</u>	<u>20,240,381</u>	<u>160,134,047</u>	<u>24,095,163</u>
Total equity and liabilities	<u>140,347,122</u>	<u>171,840,273</u>	<u>183,732,931</u>	<u>27,646,057</u>	<u>205,745,755</u>	<u>30,958,298</u>
Net current assets	<u>47,238,634</u>	<u>61,490,161</u>	<u>58,339,459</u>	<u>8,778,263</u>	<u>82,651,453</u>	<u>12,436,458</u>
Total assets less current liabilities	<u>81,020,516</u>	<u>101,149,294</u>	<u>102,912,725</u>	<u>15,485,145</u>	<u>128,155,057</u>	<u>19,283,326</u>

The following table presents the selected unaudited financial and other data of R&F HK. The selected consolidated income statement data for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 and the selected consolidated balance sheet data as of 31 December 2013, 2014 and 2015 and 30 June 2016 set forth below have been derived from the reviewed consolidated financial statements of R&F HK as of and for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and are included elsewhere in this offering memorandum. The financial statements of R&F HK have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The financial results of R&F HK for any past period are not, and should not be taken as, an indication of its performance, financial position or results of operations in future years. Results for interim periods are not indicative of results for the full year.

Selected Unaudited Consolidated Income Statement Data of R&F HK

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015	2015	2015	2016	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands)						
Revenue	5,627,207	2,012,886	1,372,798	206,563	502,845	2,611,982	393,022
Cost of sales	(2,607,894)	(1,281,042)	(1,037,577)	(156,123)	(280,409)	(2,108,098)	(317,203)
Gross profit	3,019,313	731,844	335,221	50,440	222,436	503,884	75,819
Other gains — net	994,755	158,925	281,747	42,394	150,380	23,947	3,603
Selling and marketing costs	(59,210)	(97,334)	(117,189)	(17,633)	(35,743)	(54,139)	(8,146)
Administrative expenses	(179,380)	(291,006)	(329,925)	(49,643)	(141,864)	(233,008)	(35,060)
Operating profit	3,775,478	502,429	169,854	25,558	195,209	240,684	36,215
Finance costs	(940,917)	(1,507,587)	(2,427,886)	(365,321)	(597,915)	(454,164)	(68,337)
Share of results of joint ventures . .	37,812	89,873	174,383	26,239	(15,735)	13,196	1,986
Share of results of associates	34,708	(24,203)	(1,353)	(204)	3,001	(3,024)	(455)
Profit/(loss) before income tax	2,907,081	(939,488)	(2,085,002)	(313,728)	(415,440)	(203,308)	(30,591)
Income tax expenses	(1,507,808)	(39,487)	92,109	13,860	(41,158)	(34,062)	(5,125)
Profit/(loss) for the year/period . . .	<u>1,399,273</u>	<u>(978,975)</u>	<u>(1,922,893)</u>	<u>(289,335)</u>	<u>(456,598)</u>	<u>(237,370)</u>	<u>(35,717)</u>
Profit/(loss) attributable to:							
— Owners of the Company	877,943	(955,341)	(1,996,603)	(300,426)	(469,633)	(231,827)	(34,883)
— Non-controlling interests	521,330	(23,634)	3,710	558	13,035	(5,543)	(834)
	<u>1,399,273</u>	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(299,868)</u>	<u>(456,598)</u>	<u>(237,370)</u>	<u>(35,717)</u>

Selected Unaudited Balance Sheet Data of R&F HK

	As of 31 December				As of 30 June	
	2013	2014	2015	2015	2016	
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	397,334	385,044	411,442	61,909	401,371	60,394
Property, plant and equipment	1,645,528	1,683,019	1,928,312	290,151	1,899,568	285,826
Investment properties	4,903,370	4,994,525	5,248,285	789,703	5,261,660	791,715
Intangible assets	4,515	4,586	9,402	1,415	8,923	1,343
Interests in joint ventures	1,361,824	1,677,809	1,852,192	278,697	1,865,387	280,682
Interests in associates	457,326	433,123	491,294	73,924	488,271	73,470
Deferred income tax assets	290,107	269,978	349,193	52,543	382,614	57,571
Trade and other receivables and prepayments . .	1,393	1,892	—	—	—	—
	<u>9,061,397</u>	<u>9,449,976</u>	<u>10,290,120</u>	<u>1,548,341</u>	<u>10,307,794</u>	<u>1,551,000</u>
CURRENT ASSETS						
Properties under development	1,813,850	7,021,835	9,165,194	1,379,075	8,410,417	1,265,505
Completed properties held for sale	247,483	848,277	1,014,655	152,674	2,581,302	388,405
Inventories	8,202	7,586	8,490	1,277	8,760	1,318
Trade and other receivables and prepayments . .	8,192,481	6,405,005	4,975,181	748,609	6,138,911	923,714
Tax prepayments	28,328	74,598	223,928	33,694	183,183	27,563
Restricted cash	1,780,530	741,706	1,014,420	152,638	1,004,640	151,167
Time deposits	—	—	500,000	75,234	107,721	16,209
Cash	<u>2,433,324</u>	<u>1,906,679</u>	<u>1,134,037</u>	<u>170,637</u>	<u>2,102,698</u>	<u>316,390</u>
	<u>14,504,198</u>	<u>17,005,686</u>	<u>18,035,905</u>	<u>2,713,839</u>	<u>20,537,632</u>	<u>3,090,271</u>
Total assets	<u>23,565,595</u>	<u>26,455,662</u>	<u>28,236,025</u>	<u>4,248,638</u>	<u>30,845,426</u>	<u>4,641,271</u>
EQUITY						
Share capital	10	10	10	2	10	2
Retained earnings	3,129,820	2,174,479	177,876	27,765	(53,951)	(8,118)
Other reserves	—	5,810	27,576	4,149	(37,535)	(5,648)
Non-controlling interests	<u>1,205,524</u>	<u>1,181,897</u>	<u>1,188,014</u>	<u>178,759</u>	<u>1,182,471</u>	<u>177,925</u>
Total equity	<u>4,335,354</u>	<u>3,362,196</u>	<u>1,393,476</u>	<u>209,675</u>	<u>1,090,995</u>	<u>164,161</u>
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	10,174,178	16,488,468	8,200,600	1,233,934	8,757,650	1,317,752
Deferred income tax liabilities	<u>1,049,875</u>	<u>1,027,296</u>	<u>1,063,589</u>	<u>160,037</u>	<u>1,081,537</u>	<u>162,737</u>
	<u>11,224,053</u>	<u>17,515,764</u>	<u>9,264,189</u>	<u>1,393,971</u>	<u>9,839,187</u>	<u>1,480,490</u>
CURRENT LIABILITIES						
Accruals and other payables	1,818,526	2,511,933	2,082,306	313,322	6,508,817	979,373
Deposits received on sale of properties	291,397	615,254	2,079,079	312,836	1,632,469	245,636
Current income tax liabilities	1,375,413	617,155	491,735	73,991	451,700	67,967
Short-term borrowings	914,535	1,700,000	—	—	295,500	44,464
Current portion of long-term borrowings	<u>3,606,317</u>	<u>133,360</u>	<u>13,015,240</u>	<u>1,958,386</u>	<u>11,026,758</u>	<u>1,659,182</u>
	<u>8,006,188</u>	<u>5,577,702</u>	<u>17,668,360</u>	<u>2,658,535</u>	<u>19,915,244</u>	<u>2,996,621</u>
Total liabilities	<u>19,230,241</u>	<u>23,093,466</u>	<u>26,932,549</u>	<u>4,052,506</u>	<u>29,754,431</u>	<u>4,477,111</u>
Total equity and liabilities	<u>23,565,595</u>	<u>26,455,662</u>	<u>28,326,025</u>	<u>4,262,180</u>	<u>30,845,426</u>	<u>4,641,271</u>

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

The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealised gains on intra-group transactions have been eliminated.

Our consolidated financial statements were prepared in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2013", "2014" and "2015" refer to our financial years ended 31 December 2013, 2014 and 2015, respectively, and references to "the first half of 2015" and "the first half of 2016" refer to the periods ended 30 June 2015 and 2016, respectively.

Overview

We are a leading PRC property developer headquartered in Guangzhou, with an established presence in Beijing and its vicinity, Tianjin, Xi'an, Zhengzhou, Chongqing, Chengdu, Huizhou, Hainan, Shanghai and its vicinity, Taiyuan, Datong, Nanjing and its vicinity, Shenyang, Harbin, Hangzhou and its vicinity, Changsha and its vicinity, Meizhou, Guiyang, Wuxi, Baotou, Foshan, Zhuhai, Nanning, Fuzhou and its vicinity, Shijiazhuang, Shenzhen and Ningbo in the PRC, Johor Bahru in Malaysia and Melbourne and Brisbane in Australia. Founded in 1994, we integrate real estate design, development, engineering supervision, sales, property management, and real estate investment in a single enterprise. We were ranked No. 1 in terms of overall strength among all property developers in China during 2005–2009 by the National Statistics Bureau, and ranked among "China's Top 10 Listed Real Estate Companies in Terms of Overall Strength" during 2011–2016 by China Real Estate Association and China Real Estate Appraisal. We primarily develop and sell quality private residential properties in Guangzhou, Beijing, Tianjin and, more recently, other Chinese cities. In addition to the development and sale of residential properties, we develop, sell and lease commercial and office spaces. We currently own four shopping malls and two office buildings. We also engage in the development of hotels. As of the date of this offering memorandum, our hotel portfolio includes 14 hotels managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group, and Accor Hotels. We believe our investment properties and hotels will help further strengthen our brand name. In addition, we also engage in other ancillary property-related services including property management and property agency services.

We focus on medium- to high-end property developments and target the middle to upper-middle income residents in the cities where we have operations. Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China's largest cities, capturing the opportunities presented by its rapidly growing economy. Along with the growth of our business in Guangzhou, we have built up sizable land bank in other top-tier cities such as Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou. In June 2016, we entered Shenzhen for the first time. Shenzhen has always been a competitive market given the low supply of land for auction. It is also one of the most mature and developed property markets among China's tier-I cities. It enjoys the benefits of proximity to Hong Kong, fully developed road and railway infrastructures, a sizeable working class demographic and booming small to medium entrepreneurial businesses run by aspirational entrepreneurs. Having devoted a significant amount of time and resource to understanding the Shenzhen market and exploring the land bank resources available, we acquired an attributable GFA of 248,000 sq.m.. With our entry into Shenzhen market, we plan to focus our business in five key areas: Guangzhou-Shenzhen, Beijing-Tianjin, the Yangtze River Delta, Taiyuan,

and Hainan. We have also managed to expand in a prudent manner into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the impact of regulatory measures by leveraging our expertise and resources to diversify our property portfolio.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 our revenue was CNY36,271.2 million, CNY34,705.4 million, CNY44,290.9 million (US\$6,664.0 million) and CNY22,389.4 million (US\$3,368.9 million), respectively. For the same periods, our profit was CNY7,645.6 million, CNY6,506.4 million, CNY6,712.3 million (US\$1,010.0 million) and CNY2,424.2 million (US\$364.8 million), respectively.

Key Factors Affecting Our Performance

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See “Risk Factors”. Such factors include the following:

The Regulatory Environment and Measures Affecting the Real Estate Industry in China

Our business and results of operations have been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC government has implemented a series of measures with a view to control the growth of the economy, including the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the real estate market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means by which we may finance our property development. See “Regulations” for more details on the relevant PRC laws and regulations.

China’s economy has experienced a slowdown as a result of the ongoing global economic and financial crisis, which in turn has affected the PRC real estate industry. It is also difficult to determine the continued impact of the global economic slowdown and financial crisis on the property industry in China due to its unprecedented nature. If the global economic slowdown and financial market crisis continue or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Changes in the economic conditions and the regulatory environment in the PRC in general or in cities and regions in which we operate may affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flow generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the continuing growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flow generated from the sale of our properties for a particular period. On the other hand, higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flow for a particular period to enable us to fund the continuing growth of our business.

The Product Mix and Geographic Locations of Our Properties

Our principal source of revenue and cash from operations is derived from the sale of units in our residential properties, and to a lesser extent from sales of office properties, retail properties, car park spaces, hotel operations and other segments. We also derive recurring revenue from our investment properties, which are held for recurring income and/or for capital appreciation. Our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the type and volume of our completed properties that we lease out or sell, which frequently depends on the timing of the completion of various stages in the property development process. See “— Timing of Property Development”. Our results of operations and cash flows will also vary depending on the market demand at the time we lease out or sell our properties, which affects the rental and occupancy rates of our investment properties and hotels and the selling prices for units in our residential properties. The recurring income and selling prices we receive from, and the occupancy levels of, our property developments depend on local market prices which in turn depend on local supply and demand conditions, as well as the type of property being developed.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments and it may take many months or years before pre-sales of a property development can occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes. In addition, no revenue is recognised with respect to such property until it has been completed and delivered to the purchasers. As market demand is not stable, revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected completion date of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects. As our revenue from sales of properties are recognised upon the delivery of properties, the timing of such delivery may not only affect the amount and growth rate of our revenue but also cause changes in other payables and accruals to fluctuate from period to period. As a result, our results of operations have fluctuated in the past, primarily due to the volume of GFA delivered, which is partially a result of timing of our property development, and are likely to continue to fluctuate in the future.

Fluctuation in the Valuation of Our Investment Properties

Our investment properties principally consist of office buildings for rent, retail shop units and car park spaces held for recurring revenue and/or for capital appreciation. Our investment properties (excluding hotels and serviced apartments, which are recorded as non-current assets under “Property, plant and equipment” on our consolidated balance sheet) are stated at their fair value on our consolidated balance sheet as non-current assets as of the end of each reporting period on the basis of valuations by independent property valuers or by our management. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss upon revaluation increase or decrease in investment properties in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The bases and assumptions which the valuer uses for the valuation typically includes values realised in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our investment properties may have been higher or lower if the valuer used a different set of

bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealised capital gains on our investment properties as of the relevant reporting dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may fluctuate significantly. We cannot assure you that we will record fair value gains, or that we will not record fair value losses, in the future. For 2013, 2014, 2015 and the first half of 2016 we recorded net fair value gains on investment properties net of tax of CNY1,827.2 million, CNY1,228.6 million, CNY830.7 million (US\$125.0 million) and CNY538.4 million (US\$81.0 million), respectively.

Availability and Cost of Land

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase suitable land reserves at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development, which consists of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. The cost of acquiring land has a direct and substantial effect on our gross margins. We expect competition among property developers for suitable land reserves to remain intense, which affects land prices. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, the tender, auction and listing-for-sale practice in respect of the grant of state-owned construction land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (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) to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential project should be strictly restricted in accordance with the catalogue of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. In May 2014, the Ministry of Land and Resources promulgated Provisions on the Economical and Intensive Use of Land (節約集約利用土地規定), which set the land premium at no less than the lowest standard of land use fee stipulated by the State. See "Regulations — The Land System of the PRC — National Legislation". These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Costs of Labour and Construction Materials

Our results of operations are affected by the costs of labour and construction materials such as steel and cement. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials have increased substantially in recent years. Further, the PRC Labour Contract Law (中華人民共和國勞動合同法) that came into effect on 1 January 2008 and amended on 28 December 2012, enhanced the protection for employees and increased employers' liability in many circumstances which may further increase our labour cost. To the extent that we are not able to pass such increased costs on to our customers, our gross margin and our results of operations would be adversely affected.

To reduce our exposure to price volatility of construction materials, we typically enter into contracts with third party construction contractors pursuant to which the construction contractors are responsible for procuring most of the construction materials for our property development projects. Such construction contracts are typically fixed or capped unit price contracts where the unit price of the construction materials is fixed or capped and the total price payable depends on our quantity requirement. Similarly, under the terms of most of our construction contracts, labour wages are paid by the construction contractors and increasing costs of labour are borne by the contractors during the term of such contracts. However, we are exposed to price volatility of labour and construction materials to the extent that we periodically enter into or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if labour or construction costs increase subsequent to the time of such pre-sale.

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of 31 December 2013, 2014 and 2015 and 30 June 2016, our outstanding bank loans amounted to CNY31,136.2 million, CNY34,538.7 million, CNY38,921.2 million (US\$5,856.4 million) and CNY40,867.2 million (US\$6,149.2 million), respectively. Because commercial banks in China link the interest rates on their borrowings to the benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. The PBOC raised the benchmark one-year bank lending rate to 6.06% in February 2011, to 6.31% in April 2011 and to 6.56% in July 2011 although the PBOC lowered the benchmark one-year interest rate by 25 basis points in each of June and July 2012. The PBOC lowered the one-year benchmark lending rate one time in 2014 and five times in 2015. The current one-year benchmark lending rate is 4.35% with effect from October 2015. In addition, the PBOC has raised the reserve requirement ratio for commercial banks six times in 2010 and six times in 2011 although the PBOC lowered the reserve requirement ratio by 50 basis points in each of December 2011, February 2012 and May 2012. The PBOC further reduced the reserve requirement ratio for commercial banks five times in 2015 and one time in 2016. The reserve requirement ratio currently ranges from 13% to 16.5% with effect from 1 January 2016. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalised rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a project phase.

An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in Note 2 to our consolidated financial statements included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial

data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. See also notes to the financial statements included elsewhere in this offering memorandum.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement:

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheets as "deposits received on sale of properties" under current liabilities.

(b) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Rental income

Rental income from investment properties is recognised in the income statement on a straight-line basis over the term of the lease.

(d) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(e) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(f) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

Properties Under Development, Cost of Sales and Completed Properties Held for Sale

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions. Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale. If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Cost of sales for each property we sell includes cost of land use rights, construction cost, capitalised interest and business tax and levies.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

Valuation of Our Investment Properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such case, the operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs and, when applicable, capitalised finance costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Changes in fair values are recorded in the income statement as part of the valuation gain or loss in “Other income and other gains — net”.

Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Borrowing costs cease to be capitalised when substantially all the activities necessary to prepare the asset for its intended use or sale are completed.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. For 2013, 2014 and 2015 and the first half of 2016, we made LAT prepayments of CNY530.1 million, CNY975.1 million, CNY1,368.4 million (US\$205.9 million) and CNY1,616.2 million (US\$243.2 million), respectively, and LAT provisions of CNY2,348.3 million, CNY1,282.6 million, CNY2,533.5 million (US\$381.2 million) and CNY705.3 million (US\$106.1 million), respectively. We prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities and provide for unpaid LAT liabilities based on our best estimate according to our understanding of prevailing tax rules. Actual LAT liabilities are, however, subject to determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provisions are sufficient to cover all actual LAT obligations as of each balance sheet date in respect of our past LAT liabilities. See “Regulations — Taxation in the PRC — Land Appreciation Tax”.

Property, Plant and Equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

- Buildings: 20–30 years
- Furniture, fixtures and equipment: 3–5 years
- Transportation equipment: 4–15 years

— Machinery: 5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income and other gains — net" in the income statement.

Certain Income Statement Items

Revenue

Our revenue represents (i) gross proceeds from property development, (ii) gross rental income received and receivable from property investment, (iii) gross proceeds from hotel operation and, (iv) gross proceeds from all other operations. Our revenue is categorised into four segments: property development, property investment, hotel operations and all other segments, respectively.

The following table sets forth our revenue in each operating segment and the percentage of revenue represented by each segment in total revenue for the periods indicated.

	Year ended 31 December							Six months ended 30 June				
	2013		2014		2015			2015		2016		
	CNY	%	CNY	%	CNY	US\$	%	CNY	%	CNY	US\$	%
	(in thousands, except percentages)											
Property development. . .	33,651,248	92.8	31,650,997	91.2	40,744,245	6,130,734	92.0	11,105,606	87.3	20,495,398	3,083,916	91.5
Property investment. . . .	727,245	2.0	827,263	2.4	857,255	128,990	1.9	386,570	3.0	400,129	60,207	1.8
Hotel operations.	900,594	2.5	1,108,603	3.2	1,181,150	177,726	2.7	568,058	4.5	635,699	95,653	2.8
All other segments	992,197	2.7	1,118,547	3.2	1,508,274	226,948	3.4	658,906	5.2	858,209	129,134	3.9
Total	36,271,284	100	34,705,410	100	44,290,924	6,664,398	100	12,719,140	100	22,389,435	3,368,909	100

In 2013, 2014, 2015 and the first half of 2016, we derived substantially all of our revenue from the development and sale of residential properties. In the future, we intend to further expand our business into the development of hotels, office buildings and other commercial properties, and therefore we expect that our recurring revenue generated from our property management, hotel operation and property investment segments should increase over time.

Property Development

Revenue from property development represents proceeds from sales of our properties held for sale. Because we derive substantially all of our revenue from the property development segment, our results of operations for a given period depend upon the GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected by the general economic, political and regulatory developments in the PRC as well as in Guangzhou and other locations where we operate. See "— Key Factors Affecting Our Performance".

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Property Development — Pre-sale".

The details of our contracted sales by geographical distribution are set out in the table below for the years indicated.

Region	Year ended 31 December							Six months ended 30 June		
	2013		2014		2015			2016		
	GFA Sold ⁽¹⁾	Sales Value ⁽¹⁾	GFA Sold ⁽¹⁾	Sales Value ⁽¹⁾	GFA Sold ⁽¹⁾	Sales Value ⁽¹⁾	Sales Value ⁽¹⁾	GFA Sold ⁽¹⁾	Sales Value ⁽¹⁾	Sales Value ⁽¹⁾
		CNY		CNY		CNY	US\$		CNY	US\$
	(sq.m.)	(in million)	(sq.m.)	(in million)	(sq.m.)	(in million)	(in million)	(sq.m.)	(in million)	(in million)
Southern China	1,168,200	15,164	1,455,700	20,352	1,501,600	19,140	2,880	726,400	8,036	1,209
including:										
Guangzhou.	516,500	10,835	531,700	14,396	457,800	11,185	1,683	124,900	2,799	421
Northern China	2,013,400	24,116	2,388,800	30,613	2,425,900	32,523	4,864	1,444,500	18,679	2,811
including:										
Beijing and its vicinity.	770,500	8,496	913,800	12,562	624,600	10,353	1,558	244,000	4,469	672
Tianjin.	247,700	4,629	262,400	4,550	364,800	5,964	897	193,700	3,695	556
Hainan.	204,100	2,949	114,900	1,745	118,400	1,549	233	237,700	2,448	368
Johor Bahru, Malaysia	—	—	88,800	1,690	60,300	1,011	152	18,400	274	41
Brishbane, Australia	—	—	—	—	4,200	174	26	8,400	353	53
Total.	<u>3,385,700</u>	<u>42,229</u>	<u>4,048,200</u>	<u>54,400</u>	<u>4,110,400</u>	<u>54,397</u>	<u>8,185</u>	<u>2,435,400</u>	<u>29,790</u>	<u>4,482</u>

Note:

(1) Including the GFA sold and the corresponding sales value attributable to us in our joint-venture projects.

In general, there is a time difference, typically ranging from several months to one or two years, between the time we commence pre-selling properties under development and the completion of the relevant property development. We do not recognise any revenue from the pre-sale of our properties until such properties are completed and delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of pre-sold properties, payments received from purchasers are recorded as “Deposits received on Sale of Properties” under “Current Liabilities” on our consolidated balance sheet. As our revenue from sale of properties are recognised upon the delivery of properties, the timing of such delivery may not only affect the amount and growth rate of our revenue but also cause changes in accruals and other payables to fluctuate from period to period. As of 31 December 2013, 2014, 2015 and 30 June 2016, our deposits received in advance arising from pre-sale of various development projects, amounted to approximately CNY13.8 million, CNY19.2 million, CNY18.4 million (US\$2.8 million) and CNY19,958.6 million (US\$3,003.1 million), respectively.

Property Investment

Revenue from our property investment segment represents recurring revenue from our investment properties, which has historically been generated from the rental of the retail and office properties and car park spaces. For 2013, 2014, 2015 and the first half of 2016, our gross rental income was CNY727.2 million, CNY827.3 million, CNY857.3 million (US\$129.0 million) and CNY400.1 million (US\$60.2 million), respectively. In the future, we expect that our recurring revenue will continue to increase over time as we further expand to the development and management of office buildings and other commercial properties. We believe the increase of such recurring revenue will help us reduce over-reliance on a particular sector of the property market and diversify our risk exposure to reduce the potential impact of adverse developments in the PRC economy and property markets in the cities in which we do business.

Hotel Operations

Revenue derived from hotel operations is recognised when such services are provided. Revenue from our hotel operations was CNY900.6 million, CNY1,108.6 million, CNY1,181.2 million (US\$177.7 million) and CNY635.7 million (US\$95.7 million) for 2013, 2014, 2015 and the first half of 2016, respectively. We expect that as a proportion of our total revenue, revenue from hotel operations will continue to increase as we develop more hotel projects in the future.

All Other Segments

In addition to property development, property investment and hotel operations, the Group also engages in ancillary services such as, among others, property management and property leasing and agency services. For 2013, 2014, 2015 and the first half of 2016, our revenue from these segments was CNY992.2 million, CNY1,118.5 million, CNY1,508.3 million (US\$227.0 million) and CNY858.2 million (US\$129.1 million), respectively.

Cost of Sales

Cost of sales primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, costs of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

The table below sets forth information relating to cost of sales for the periods indicated.

	Year ended December 31						Six months ended 30 June					
	2013		2014		2015		2015		2016			
	CNY	%	CNY	%	CNY	US\$	%	CNY	%	CNY	US\$	%
	(in thousands, except percentages)											
Sales of properties												
Cost of land use rights	5,663,348	25.7	5,324,321	23.8	9,718,276	1,546,831	32.3	2,012,457	22.4	4,337,755	657,415	26.0
Construction costs	11,483,735	52.1	11,185,543	50.0	12,710,675	2,023,123	42.3	4,408,977	49.1	8,679,416	1,315,422	52.0
Capitalised interest	797,347	3.6	1,540,144	6.9	2,051,289	326,498	6.8	512,469	5.7	883,532	132,944	5.3
Business tax and levies	1,998,960	9.1	1,862,895	8.3	2,472,579	393,554	8.2	676,927	7.5	1,046,693	158,633	6.3
Sub-total	19,943,390	90.5	19,912,903	89.0	26,952,819	4,290,006	89.6	7,610,830	84.8	14,947,396	2,265,375	89.5
Property Investment	137,958	0.6	167,427	0.7	152,270	24,236	0.5	86,132	1.0	81,984	12,425	0.5
Hotel operations	735,935	3.3	847,051	3.8	932,163	148,370	3.1	440,511	4.9	558,914	84,707	3.3
Others	1,219,015	5.6	1,464,050	6.5	2,046,601	325,752	6.8	834,081	9.3	1,118,410	169,502	6.7
Total	<u>22,036,298</u>	<u>100</u>	<u>22,391,431</u>	<u>100</u>	<u>30,083,853</u>	<u>4,788,364</u>	<u>100</u>	<u>8,971,554</u>	<u>100</u>	<u>16,706,704</u>	<u>2,532,009</u>	<u>100</u>

Costs of Land Use Rights

Costs of land use rights include costs relating to acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grant from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including the location of the property, the timing of the acquisition, and the project's plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC government-organised tenders, auctions or listings-for-sale, through private sales transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. We may also be required to pay demolition and resettlement costs. Our costs of land use rights are also affected by changes in PRC regulations. Land cost per sq.m. increased to CNY1,781.1 (US\$270.0) for the first half of 2016 from CNY1,183.2 for the first half of 2015, primarily due to a larger portion of the period's total turnover from

delivery of commercial properties which have higher land costs as compared to that of the properties delivered in the first half of 2015. Land cost per sq.m. increased to CNY2,364.3 (US\$376.0) for the year ended 31 December 2015 from CNY1,315.2 for the year ended 31 December 2014, primarily due to a larger portion of the period's total turnover from delivery of commercial properties which have higher land costs as compared to that of the properties delivered in 2014.

Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Historically, construction material costs (which are generally included in the payments to the construction contractors), particularly the cost of steel and cement, has been a major cause of fluctuations in our construction costs. See “— Key Factors Affecting Our Performance — Cost of Labour and Construction Materials”.

Other components of our construction costs include ventilation systems, plant watering systems, elevators and interior decoration materials. Construction cost per sq.m. in the first half of 2016 increased to CNY3,563.9 (US\$540.0) from CNY2,592.1 in the first half of 2015, primarily due to a larger portion of the period's total turnover from delivery of commercial properties that have higher construction costs. Construction cost per sq.m. in 2015 increased to CNY4,402.5 (US\$662.4) from CNY2,763.1 in 2014 due to a larger portion of the period's total turnover came from delivery of commercial properties which have higher construction costs as compared to that of the properties delivered in 2014.

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

Capitalised Interest

We capitalise a portion of our costs of borrowings to “properties under development”, “assets under construction” under “property, plant and equipment” or “investment property under construction” under “investment properties” on our consolidated balance sheet (depending on whether the relevant project is being developed for sale, for investment or for owner — occupation purpose) to the extent that such costs are directly attributable to the construction of a project. The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when: a) expenditures for the asset are being incurred; b) borrowing costs are being incurred; and c) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Business Tax and Levies

We are subject to a business tax rate of 5% on our contracted sales. Alternatively, we may be subject to a VAT rate of 11% for the sale of self-developed projects on a net basis after netting deductible tax expenses pursuant to Circular 36. In addition, we are also subject to municipal maintenance tax and education surcharge. The municipal maintenance tax ranges, depending on the locality, from 1% to 7% of the amount of business tax assessed, while the education surcharge is about 3% of the amount of business tax assessed.

Other income and other gains — net

Other income and other gains — net comprise net fair value gain on investment properties, net gains on the disposal of our investment properties, dividend from available-for-sale financial assets, property, plant and equipment and land use rights, interest income on bank deposits, and other incomes. Upon the disposal of an investment property, the difference between the net proceeds and the carrying value is accounted for as gain or loss on the disposal of the investment property and is recorded on our consolidated income statements under “other income and other gains — net”.

Selling and Administrative Expenses

Selling and marketing costs include advertising and promotional expenses relating to sales and rental of our properties (including advertisements on television and billboards, in newspapers and magazines as well as promotional offers made directly to our customers and certain other promotional events), and other selling expenses. Our selling expenses in any period are affected by the proportion of newly-introduced developments in our portfolio in that period. We expect our selling expenses to continue to increase, as we have multiple projects which we expect to be released to the market on a rolling basis in the near future. However, as a percentage of turnover, we expect our selling and marketing costs will remain at a steady level. Furthermore, we may be required to incur additional selling expenses when we enter into new markets as part of our efforts to develop our brand in those markets.

Administrative expenses include primarily administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses.

Finance Costs

Finance costs consist primarily of interest costs on bank loans, interest on our 2014 Corporate Bonds, 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2014 Notes, the 2016 Notes, the 2019 Notes, the 2020 Notes and other borrowings net of capitalised borrowing costs. We capitalise a portion of our costs of borrowings to “properties under development” or to “assets under construction” under “property, plant and equipment” or to “investment property under construction” under “investment properties” on our consolidated balance sheet (depending on whether the relevant project is being developed for sale, for owner — occupation or for investment purpose) to the extent that such costs are directly attributable to the construction of a project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the borrowing costs related to a property development can be capitalised. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalisation. See “— Cost of Sales — Capitalised interest”.

Share of Results of Joint Ventures

Share of profits and losses of joint ventures represents our profits or losses after taxation that are attributable to our interest in joint ventures. As of 30 June 2016, our principal joint ventures were Hines Shanghai New Jiangwan Development Company Limited (漢斯上海新江灣開發有限公司), Guangzhou Fujing Properties Development Co., Ltd. (廣州市富景房地產開發有限公司), Tianjin He An Properties Development Ltd. (天津和安房地產開發有限公司), Tianjin Jinnan Xincheng Properties Development Co., Ltd. (天津津南新城房地產開發有限公司), Guizhou Daxinan Properties Development Co., Ltd. (貴州大西南房地產開發有限公司), Guangzhou Tengshun Investment Co.,

Ltd. (廣州市騰順投資有限公司), Shanghai Chengtou Yuecheng Properties Co., Ltd. (上海城投悅城置業有限公司), Guangxi Fuya Investment Co., Ltd. (廣西富雅投資有限公司), Charm Talent Limited, Accord Wing Limited (和榮有限公司), Beijing Shengxing Tianhe Investment Co., Ltd. (北京盛興天和投資管理有限公司) and Guangzhou Senhua Real Estate Development (廣州市森華房地產有限公司).

Share of Results of Associates

Share of results of associates represents our profit or loss after tax that are attributable to our interests in associates. As of 30 June 2016, our principal associates were Beijing Fushengli Investment Consulting Co., Ltd. (北京富盛利房地產經紀有限公司), Guangzhou Lihe Properties Development Ltd. (廣州利合房地產開發有限公司), Beijing Yueshang Investment Co. Ltd. (北京粵商投資股份有限公司), Guangzhou Sheng'an Chuangfu Investment Management Co., Ltd. (廣州盛安創富投資管理有限公司), Beijing Zhongfang Tongchuang Cultural Media Co., Ltd. (北京中房同創文化傳媒股份有限公司) and Henan Jianye Fujin Investment Co., Ltd. (河南建築投資有限公司).

Tax Expenses

Our tax expenses for a given year include PRC enterprise income tax and LAT during the period.

PRC Enterprise Income Tax

Income tax expense represents PRC enterprise income tax liabilities accrued by our operating subsidiaries. The PRC enterprise income tax has been calculated at the applicable tax rate on the assessable profits for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. In respect of the applicable income tax rates for the reported periods, except for certain construction companies in the Group which were taxed at 2.0%–3.0% on their revenue, other businesses within the Group were primarily taxed at 25% on their profits.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT, as determined by the local authorities in the location in which each project is located.

LAT Calculation. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of higher-end residential properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates.

LAT Provision. During 2013, 2014, 2015 and the first half of 2016, we generated sales from various projects. Our Guangzhou properties and all of our other projects currently under development or held for future development are subject to the regular LAT obligation at progressive rates between 30% and 60%. We estimate and make provisions for what we believe to be the full amount of applicable LAT in accordance with the requirements set forth in the relevant

PRC tax laws and regulations. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we have provided for LAT in the amount of CNY2,348.3 million, CNY1,282.6 million, CNY2,533.5 million (US\$403.0 million) and CNY705.3 million (US\$106.1 million), respectively. Because we are only permitted to deduct our LAT provisions for corporate income tax purpose when the relevant LAT is paid, we recognise deferred tax assets on our consolidated balance sheet to the extent that we have made provision for LAT on properties sold or pre-sold, in each case until such time as the related LAT payments are made.

LAT Prepayment. Effective from 1 January 2005, the Guangzhou local tax bureau has required prepayment of LAT on pre-sale and sale proceeds of property developments on a quarterly basis. Effective from 1 January 2008, the Guangzhou local tax bureau changed the applicable prepayment rates of LAT. The applicable prepayment rates, as a percentage of pre-sale and sale proceeds, were 1% for ordinary residential properties and 2% for other types of properties. The Guangzhou local tax bureau further increased the applicable prepayment rates of LAT and required the prepayment on a monthly basis, effective from 1 July 2010. The prepayment rates are 2% for ordinary residential properties, 3% for non-ordinary residential properties, 4% for villas, 2% for office buildings and 4% for commercial business properties. The prepayment rate for office buildings has been increased to 3% since July 2012. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, we made LAT prepayments in the amount of CNY530.1 million, CNY975.1 million, CNY1,368.4 million (US\$205.9 million) and CNY1,616.2 million (US\$243.2 million), respectively.

LAT Enforcement. On 28 December 2006, the PRC State Administration of Taxation issued a circular, which took effect on 1 February 2007. Under this circular, LAT must be settled if any of the following criteria is met: (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole development project prior to completion; or (3) the land use rights with respect to the project are transferred directly. In addition, the relevant tax authorities may require the developer to settle its LAT obligations if any of the following criteria is met:

- for completed property development projects, the GFA transferred to buyers represents more than 85% of total saleable GFA of the relevant project, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer;
- the project has not been sold out for more than three years after obtaining the sale or presale permit;
- the developer applies for cancellation of tax registration without having settled the relevant LAT obligations; or
- other conditions stipulated by the tax authorities at the provincial level.

On 19 May 2010, the State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) which clarifies the method of revenue recognition in the settlement of land appreciation tax and other relevant issues. According to the Circular, in the settlement of land appreciation tax, if the sales invoices of commodity houses are issued in full, the revenue shall be recognised based on the amount indicated in the invoices. If the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognised based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of land appreciation tax, adjustments shall be made in the calculation of land

appreciation tax. The Circular provides that the deed tax paid by a real estate development enterprise for land use rights shall be treated as the “relevant fees paid in accordance with the uniform regulations of the state” and be deducted from the “amount paid for land use rights”.

On 25 May 2010, the PRC State Administration of Taxation published the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知, “Notice”) to require all local governments to scientifically formulate the tax ratio and strengthen the collection of prepayment LAT. According to the Notice, all local governments shall made adjustments to the current prepayment rates. In addition to safeguarding housing, the prepayment rates of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%; and the local government shall determine the prepayment ratio applicable to different types of real estate.

For projects developed in different phases, the LAT must be settled upon the completion of each phase. Local authorities, including the Guangzhou tax bureau, are required to issue regulations in compliance with the circular in consideration of local conditions. Our final LAT clearance and settlement in respect of any given property development project can be determined and made according to the requirements of the circular, or as and when requested by the relevant tax authorities. The relevant tax authorities have not yet notified us to commence final LAT clearance and settlement in respect of any of our property development projects. We believe we have made LAT prepayment and provisions in accordance with all relevant PRC tax laws and regulations. Nevertheless, we cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, our cash flows may be materially and adversely affected should the Guangzhou tax bureau require us to make immediate LAT settlement payments in respect of properties that we have developed.

As we are planning to continue to expand our property developments outside Guangzhou, we are subject to LAT as implemented by the local tax authorities in our new markets and we cannot assure you that any LAT obligations we calculate and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Deferred Tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Hong Kong Tax

We have not made any provision for Hong Kong profits tax as we had no assessable profit in Hong Kong during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements and their respective percentages of our total revenue.

	Year ended 31 December						Six months ended 30 June					
	2013		2014		2015		2015		2016		% of revenue	
	CNY	% of revenue	CNY	% of revenue	CNY	US\$	% of revenue	CNY	% of revenue	CNY		US\$
	(in thousands, except for percentages)											
Revenue	36,271,248	100.0	34,705,410	100.0	44,290,924	6,664,398	100.0	12,719,140	100.0	22,389,435	3,368,909	100.0
Cost of sales	(22,036,298)	(60.8)	(22,391,431)	(64.5)	(30,083,853)	(4,526,679)	(67.9)	(8,971,554)	(70.5)	(16,706,704)	(2,513,836)	(74.6)
Gross profit	14,234,986	39.2	12,313,979	35.5	14,207,071	2,137,720	32.1	3,747,586	29.5	5,682,731	855,073	25.4
Other income and other gains — net	2,728,953	7.5	2,030,304	5.9	1,518,092	228,425	3.4	899,985	7.1	916,305	137,875	4.1
Selling and marketing costs	(626,089)	(1.7)	(896,059)	(2.6)	(896,657)	(134,919)	(2.0)	(370,000)	(2.9)	(521,826)	(78,518)	(2.3)
Administrative expenses	(1,838,631)	(5.1)	(2,220,501)	(6.4)	(2,409,572)	(362,565)	(5.4)	(1,122,997)	(8.8)	(1,208,172)	(181,792)	(5.4)
Operating profit	14,499,219	40.0	11,227,723	3.2	12,418,934	1,868,661	28.0	3,154,574	24.8	4,869,038	732,638	21.7
Finance costs	(1,933,742)	(5.3)	(1,215,921)	(3.5)	(2,153,995)	(324,109)	(4.9)	(511,925)	(4.0)	(1,000,874)	(150,600)	(4.5)
Share of results of joint ventures	357,253	1.0	169,789	0.5	1,343,455	202,148	3.0	254,564	2.0	178,463	26,853	0.8
Share of results of associates	(50,901)	(0.1)	(25,205)	(0.1)	(18,893)	(2,843)	(0.0)	(5,100)	(0.0)	(14,854)	(2,235)	(0.1)
Profit before income tax	12,871,829	35.5	10,156,386	29.3	11,589,501	1,743,857	26.2	2,892,113	22.7	4,031,773	606,656	18.0
Income tax expenses	(5,226,181)	(14.4)	(3,649,997)	(10.5)	(4,877,229)	(733,870)	(11.0)	(1,191,481)	(9.4)	(1,607,614)	(241,896)	(7.2)
Profit for the year/period	7,645,648	21.1	6,506,389	18.7	6,712,272	1,009,987	15.2	1,700,632	13.4	2,424,159	364,760	10.8

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

Revenue. Our revenue increased by 76.0% to CNY22,389.4 million (US\$3,368.9 million) in the first half of 2016 from CNY12,719.1million in the first half of 2015, primarily due to the increase in revenue from property development by CNY9,389.8 million (US\$1,412.9 million) from the first half of 2015 to the first half of 2016.

- **Property Development.** Revenue generated from property development increased by 84.6% to CNY20,495.4 million (US\$3,083.9 million) in the first half of 2016 from CNY11,105.6 million in the first half of 2015, primarily attributable to an increase in saleable area delivered of 624,300 sq.m. and an increase in the overall average selling price of CNY2,000 per sq.m. from the first half of 2015 to the first half of 2016.
- **Property Investment.** Revenue generated from property investment increased by 3.5% to CNY400.1 million (US\$60.2 million) in the first half of 2016 from CNY386.6 million in the first half of 2015, primarily attributable to the full operation of our new shopping mall, R&F Haizhu City.
- **Hotel Operations.** Revenue generated from hotel operations increased by 11.9% to CNY635.7 million (US\$95.7 million) in the first half of 2016 from CNY568.1 million in the first half of 2015, mainly due to revenue generated from four new hotels officially opened in 2015, namely Holiday Inn Chongqing University Town, Intercontinental Huizhou Resort, Park Hyatt, Guangzhou and Marriot Resort & Spa Hainan Xiangshui Bay.

- *Other Segments.* Revenue generated from all other segments increased by 30.2% to CNY858.2 million (US\$129.1 million) in the first half of 2016 from CNY658.9 million in the first half of 2015, primarily due to the increase of the revenue generated from construction services provided to third parties in the amount of CNY81.3 million.

Cost of Sales. Cost of sales increased by 86.2% to CNY 16,706.7 million (US\$2,513.8 million) in the first half of 2016 from CNY8,971.6 million in the first half of 2015, primarily due to the increase in land and construction costs of CNY1,570 per sq.m., which in turn resulted from a smaller portion of the total turnover from delivery of low income housing projects with lower land or construction costs in the first half of 2016 as compared to the first half of 2015.

Gross Profit. Gross profit increased by 51.6% to CNY5,682.7 million (US\$855.1 million) in the first half of 2016 from CNY3,747.6 million in the first half of 2015. Our gross profit margin decreased to 25.4% in the first half of 2016 from 29.5% in the first half of 2015, primarily because certain new projects completed and delivered during the first half of 2016 experienced a slightly lower gross margin to attract customers which is typical for new projects.

Other Income and Other Gains — Net. Other income and other gains slightly increased by 1.8% to CNY916.3 million (US\$137.9 million) in the first half of 2016 from CNY900.0 million in the first half of 2015, primarily due to the increase in our interest income, which in turn was due to an increase of average cash in hand.

Selling and Administrative Expenses. Selling and administrative expenses increased by 15.9% to CNY1,730.0 million (US\$260.3 million) in the first half of 2016 from CNY1,493.0 million the first half of 2015, which was in line with the increase in the number of cities where we conduct selling and marketing activities. Selling and administrative expenses as a percentage of turnover decreased to 7.7% in the first half of 2016 from 11.7% in the first half of 2015 due to more effective cost control effort.

Finance Costs. Finance costs increased by 95.5% to CNY1,000.9 million (US\$150.6 million) in the first half of 2016 from CNY511.9 million in the first half of 2015, primarily due to an increase in interest expenses of CNY424.1 million related to an increase in average outstanding borrowings of CNY30.1 billion and a decrease in capitalised finance costs of CNY394.3 million, partially offset by net foreign exchange gains of CNY120.3 million in the first half of 2016 as compared to net foreign exchange losses of CNY209.2 million in the first half of 2015.

Share of Results of Joint Ventures. Share of profits of joint ventures amounted to CNY178.5 million (US\$26.9 million) in the first half of 2016 as compared to CNY254.6 million in the first half of 2015, mainly due to a significant decrease in the combined turnover of our joint venture projects.

Share of Results of Associates. Share of losses of associates was CNY14.9 million (US\$2.2 million) in the first half of 2016 as compared to CNY5.1 million in the first half of 2015, derived from an increase in losses incurred by Guangzhou Asian Games City project in which we have a 20% interest.

Profit Before Income Tax. Profit before income tax increased by 39.4% to CNY4,031.8 million (US\$606.7 million) in the first half of 2016 from CNY2,892.1 million in the first half of 2015. As a percentage of revenue, profit before tax decreased to 18.0% in the first half of 2016 from 22.7% in the first half of 2015 as a result of the cumulative effect of the foregoing factors.

Income Tax Expenses. Income tax expenses mainly consist of enterprise income tax and LAT. The income tax expenses increased by 34.9% to CNY1,607.6 million (US\$241.9 million) in the first half of 2016 from CNY1,191.5 million in the first half of 2015, as a result of the net impact from the increase in both enterprise income tax and LAT. The effective enterprise income tax rate remained relatively stable. Enterprise income tax increased by 39.2% to CNY902.3 million (US\$135.8 million) in the first half of 2016 from CNY648.3 million in the first half of 2015, which was primarily due to an increase in gross profit. LAT increased by 29.8% to CNY705.3 million (US\$106.1 million) in the first half of 2016 from CNY543.2 million in the first half of 2015. As a percentage of revenue, LAT decreased to 3.2% in the first half of 2016 from 4.3% in the first half of 2015, mainly due to a lower overall gross margin of our property development business in the first half of 2016 as compared to the first half of 2015.

Profit for the Period. Profit for the period increased by 42.5% to CNY2,424.2 million (US\$364.8 million) in the first half of 2016 from CNY1,700.6 million in the first half of 2015 as a result of the cumulative effect of the foregoing factors.

2015 Compared to 2014

Revenue. Our revenue increased by 27.6% to CNY44,290.9 million (US\$6,664.4 million) in 2015 from CNY34,705.4 million in 2014, primarily due to the increase in revenue from property development by CNY9,093.2 million (US\$1,368.2 million) and the combined increase in revenue from all other business segments which amounted to CNY492.3 million from 2014 to 2015.

- *Property Development.* Revenue generated from property development increased by 28.7% to CNY40,744.2 million (US\$6,130.7 million) in 2015 from CNY31,651.0 million in 2014, primarily attributable to an increase in saleable area delivered of 352,294 sq.m. from 2014 to 2015.
- *Property Investment.* Revenue generated from property investment increased by 3.6% to CNY857.3 million (US\$129.0 million) in 2015 from CNY827.3 million in 2014, primarily attributable to the soft launch of our new shopping mall, R&F Haizhu City.
- *Hotel Operations.* Revenue generated from hotel operations increased by 6.5% to CNY1,181.2 million (US\$177.7 million) in 2015 from CNY1,108.6 million in 2014, mainly due to revenue generated from a number of small hotels that we opened in 2015.
- *Other Segments.* Revenue generated from all other segments increased by 34.8% to CNY1,508.3 million (US\$226 million) in 2015 from CNY1,118.5 million in 2014, primarily due to an increase in property management service provided of CNY114.6 million and an increase in construction service to third parties of CNY236.6 million.

Cost of Sales. Cost of sales increased by 34.4% to CNY30,083.9 million (US\$5,526.7 million) in 2015 from CNY22,391.4 million in 2014, primarily as a result of an increase in the number of commercial projects in Beijing that typically carry higher land and construction costs and rigid demand type housing in tier-II and tier-III cities.

Gross Profit. Gross profit increased by 15.4% to CNY14,207.1 million (US\$2,137.7 million) in 2015 from CNY12,314.0 million in 2014. Our gross profit margin remained relatively stable with a slight decrease to 32.1% in 2015 from 35.5% in 2014.

Other Income and Other Gains — Net. Other income and other gains significantly decreased by 25.2% to CNY1,518.1 million (US\$228.04 million) in 2015 from CNY2,030.3 million in 2014, primarily due to a decrease in fair value gains on investment properties.

Selling and Administrative Expenses. Selling and administrative expenses increased by 6.1% to CNY3,306.2 million (US\$497.5 million) in 2015 from CNY3,116.6 million in 2014, which was primarily due to an increase in our staff costs. Selling and administrative expenses as a percentage of revenue decreased to 7.5% in 2015 from 9.0% in the previous year, primarily due to the effectiveness of our cost controlling effort which were achieved through efficient use of resources without compromising on investment in key competitive factors such as manpower and advertising.

Finance Costs. Finance costs increased by 77.1% to CNY2,154.0 million (US\$324.1 million) in 2015 from CNY1,215.9 million in 2014, primarily due to an increase in exchange loss for the depreciation of both the exchange rates of RMB to U.S. dollars and Malaysian Ringgit to U.S. dollars.

Share of Results of Joint Ventures. Share of profits of joint ventures in 2015 amounted to CNY1,343.5 million (US\$202.2 million) as compared to CNY169.8 million in 2014, mainly due to a significant increase in the profits generated by Guangzhou Futing Properties Development Co., Ltd. See “Related Party Transactions” for more details.

Share of Results of Associates. Share of losses of associates was CNY18.9 million (US\$2.8 million) in 2015. In comparison, we recorded share of losses of associates of CNY25.2 million in 2014. Our share of losses of associates in 2015 and 2014 were primarily due to a decrease in the profits generated by Beijing Fushengli Investment Consulting Co., Ltd.

Profit Before Income Tax. Profit before income tax increased by 14.1% to CNY11,589.5 million (US\$269.2 million) in 2015 from CNY10,156.4 million in 2014. As a percentage of revenue, profit before tax decreased to 26.2% in 2015 from 29.3% in 2014 as a result of the cumulative effect of the foregoing factors.

Income Tax Expenses. Income tax expenses mainly consist of enterprise income tax and LAT. The income tax expenses increased by 33.6% to CNY4,877.2 million (US\$722.9 million) in 2015 from CNY3,650.0 million in 2014 as a result of the net impact from both the increase in enterprise income tax and LAT. The effective enterprise income tax rate remained relatively stable. Enterprise income tax decreased by 1.0% to CNY2,343.8 million (US\$352.7 million) in 2015 from CNY2,367.4 million in 2014, which was primarily due to an increase in gross profit. LAT increased by 10.0% to CNY2,533.5 million (US\$381.2 million) in 2015 from CNY1,282.6 million in 2014. As a percentage of revenue, LAT decreased to 6.2% in 2015 from 3.7% in 2014, mainly due to a decrease in gross profit.

Profit for the Year. Profit for the year increased by 3.2% to CNY6,712.3 million (US\$156.0 million) in 2015 from CNY6,506.4 million in 2014 as a result of the cumulative effect of the foregoing factors.

2014 Compared to 2013

Revenue. Our revenue decreased by 4.3% to CNY34,705.4 million in 2014 from CNY36,271.2 million in 2013, primarily due to the decrease in revenue from property development by CNY2,000.3 million and the combined increase in revenue from all other business segments which amounted to CNY126.4 million from 2013 to 2014.

- *Property Development.* Revenue generated from property development decreased by 5.9% to CNY31,651.0 million in 2014 from CNY33,651.2 million in 2013, primarily attributable to a decrease in overall average selling price of 19% to CNY10,010 per sq.m. in 2014 from CNY12,310 per sq.m. in 2013, which was mainly due to a sale mix that differed from last year's mainly in the absence of commercial properties with higher selling price and the increased weight of rigid demand properties with a lower average selling price.
- *Property Investment.* Revenue generated from property investment increased by 13.8% to CNY827.3 million in 2014 from CNY727.2 million in 2013, primarily attributable to an increase in rental income related to our existing investment properties due to more effective operation.
- *Hotel Operations.* Revenue generated from hotel operations increased by 23.1% to CNY1,108.6 million in 2014 from CNY900.6 million in 2013, mainly due to revenue from the new hotel, the Ritz-Carlton, Chengdu.
- *Other Segments.* Revenue generated from all other segments decreased by 4.3% to CNY1,118.5 million in 2014 from CNY992.2 million in 2013, primarily attributable to a decrease in revenue from our football club and others, partially offset by an increase in revenue from property management.

Cost of Sales. Cost of sales increased by 1.6% to CNY22,391.4 million in 2014 from CNY22,036.3 million in 2013, primarily due to an increase in the capitalised portion of our costs. The overall per sq.m. costs for 2014 amounted to approximately CNY6,300, representing a 14% decrease from CNY7,300 in 2013.

Gross Profit. Gross profit decreased by 13.5% to CNY12,314.0 million in 2014 from CNY14,235.0 million in 2013. Our gross profit margin remained relatively stable with a slight decrease to 35.5% in 2014 from 39.2% in 2013.

Other Income and Other Gains — Net. Other income and other gains decreased by 23.2% to CNY2,030.3 million in 2014 from CNY2,729.0 million in 2013, primarily due to a decrease in fair value gains on investment properties.

Selling and Administrative Expenses. Selling and administrative expenses increased by 26.4% to CNY3,116.6 million in 2014 from CNY2,464.7 million in 2013, which was primarily due to an increase in the number of cities we operate in to 24 cities including 3 overseas cities in 2014, further strengthening of our functional departments and an increase in the number of projects for sale to 58 in 2014 from 55 in 2013.

Finance Costs. Finance costs decreased by 37.1% to CNY1,215.9 million in 2014 from CNY1,933.7 million in 2013, primarily due to an increase in the finance costs capitalised.

Share of Results of Joint Ventures. Share of profits of joint ventures in 2014 amounted to CNY169.8 million mainly deriving from Hines Shanghai New Jiangwan Development Company Limited.

Share of Results of Associates. Share of losses of associates was CNY25.2 million in 2014. In comparison, we recorded share of profits of associates of CNY50.9 million in 2013. Our share of losses of associates in 2014 and share of profits of associates in 2013 was primarily due to a decrease in the profits from Guangzhou Lihe Properties Development Ltd.

Profit Before Income Tax. Profit before income tax decreased by 21.1% to CNY10,156.4 million in 2014 from CNY12,871.8 million in 2013. As a percentage of revenue, profit before tax decreased to 29.3% in 2014 from 35.5% in 2013 as a result of the cumulative effect of the foregoing factors.

Income Tax Expenses. Income tax expenses mainly consist of enterprise income tax and LAT. The income tax expenses decreased by 30.2% from CNY5,226.2 million in 2013 to CNY3,650.0 million in 2014 as a result of the net impact from both the increase in enterprise income tax and decrease in LAT. Enterprise income tax decreased by 17.7% from CNY2,877.9 million in 2013 to CNY2,367.4 million in 2014, which was primarily due to a decrease in gross profit. LAT decreased by 45.4% to CNY1,282.6 million in 2014 from CNY2,348.3 million in 2013. As a percentage of revenue, LAT decreased to 3.7% in 2014 from 6.5% in 2013, mainly due to the generally lower gross profit margins.

Profit for the Year. Profit for the year decreased by 14.9% to CNY6,506.4 million in 2014 from CNY7,645.6 million in 2013 as a result of the cumulative effect of the foregoing factors.

Liquidity and Capital Resources

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 or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable. See “Risk Factors — Risks Relating to Our Business — We may not have adequate financing to fund our land acquisitions and property projects”.

Cash Flows

The following table presents selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015		2015	2016	
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(Unaudited)						
	(in thousands)						
Net cash used in operating activities	(11,862,447)	(22,064,801)	(355,895)	(53,551)	(942,943)	(1,234,619)	(185,772)
Net cash used in investing activities	(894,500)	(2,129,907)	(2,762,504)	(415,670)	(1,147,616)	(163,753)	(24,640)
Net cash generated from financing activities . .	23,546,498	19,933,701	3,526,361	530,607	581,901	16,492,655	2,481,629
Net (decrease)/increase in cash	10,789,551	(4,261,007)	407,962	61,386	(1,508,658)	15,094,283	2,271,217
Exchange (losses)/gains on cash	(93,481)	29,270	71,926	10,823	6,722	(88,988)	(13,390)
Cash and cash equivalents at beginning of year/ period	7,026,092	17,722,162	13,490,425	2,029,887	13,490,425	13,970,313	2,102,095
Cash and cash equivalents at end of year/period	17,722,162	13,490,425	13,970,313	2,102,095	11,988,489	28,975,608	4,359,922

Cash Flows from Operating Activities

We had net cash used in operating activities of CNY1,234.6 million (US\$185.8 million) for the first half of 2016, which was primarily due to interest paid of CNY2,706.8 million (US\$407.3 million) and enterprise income tax and land appreciation tax paid of CNY2,664.7 million (US\$401.0 million),

partially offset by cash generated from operations of CNY4,136.9 million (US\$622.5 million). Cash generated from operations prior to changes in working capital was CNY5,393.2 million (US\$811.5 million). Changes in working capital contributed to a net cash outflow of CNY1,256.4 million (US\$189.0 million), primarily comprising (i) a decrease of restricted cash of CNY1,554.0 million (US\$233.8 million), (ii) a decrease of accruals and other payables of CNY1,465.7 million (US\$220.5 million), (iii) an increase in other receivables, deposits and prepayments of CNY650.3 million (US\$97.8 million), (iv) a decrease in business tax payables of CNY142.9 million (US\$21.5 million) and (v) an increase in acquisition of asset of a subsidiary of CNY33.2 million (US\$5.0 million), partially offset by (i) a decrease in properties under development and completed properties held for sale of CNY 1,022.1 million (US\$153.8 million), (ii) a decrease of deposits received on sale of properties of CNY1,550.9 million (US\$233.4 million) and (iii) a decrease in trade receivables of CNY16.9 million (US\$2.5 million).

We had net cash used in operating activities of CNY355.9 million (US\$53.6 million) for 2015, which was primarily due to interest paid of CNY5,930.7 million (US\$892.4 million) and enterprise income tax and land appreciation tax paid of CNY3,997.8 million (US\$601.5 million), partially offset by cash generated from operations of CNY9,572.6 million (US\$1,440.4 million). Cash generated from operations prior to changes in working capital was CNY13,677.7 million (US\$2,058.1 million). Changes in working capital contributed to a net cash outflow of CNY4,105.1 million (US\$617.7 million), primarily comprising (i) an increase in other receivables, deposits and prepayments of CNY2,456.4 million (US\$369.6 million), (ii) a decrease in accruals and other payables of CNY830.9 million (US\$125.0 million), (iii) a decrease in deposits received on sale of properties of CNY818.1 million (US\$123.1 million), (iv) an increase in properties under development and completed properties held for sale of CNY211.5 million (US\$31.8 million) and (v) an increase in trade receivables of CNY85.0 million (US\$12.8 million), partially offset by (i) an increase in restricted cash of CNY250.5 million (US\$37.7 million) and (ii) an increase in business tax payables of CNY46.2 million (US\$7.0 million).

We had net cash used in operating activities of CNY22,064.8 million for 2014, which was primarily due to interest paid of CNY5,842.5 million, enterprise income tax and land appreciation tax paid of CNY3,815.2 million and cash used in operations of CNY12,407.2 million. Cash generated from operations prior to changes in working capital was CNY11,385.6 million. Changes in working capital contributed to a net cash outflow of CNY23,792.8 million, primarily comprising (i) an increase in properties under development and completed properties held for sale of CNY28,408.7 million, (ii) a decrease in restricted cash of CNY1,712.3 million, (iii) an increase in trade receivables of CNY185.2 million and (iv) a decrease in business tax payables of CNY165.8 million, partially offset by (i) an increase in deposits received on sale of properties of CNY5,447.8 million, (ii) an increase in accruals and other payables of CNY822.1 million and (iii) a decrease in other receivables, deposits and prepayments of CNY409.3 million.

We had net cash used in operating activities of CNY11,862.4 million for 2013, which was primarily due to interest paid of CNY3,915.9 million, enterprise income tax and land appreciation tax paid of CNY3,054.3 million and cash used in operations of CNY4,892.2 million. Cash generated from operations prior to changes in working capital was CNY12,262.6 million. Changes in working capital contributed to a net cash outflow of CNY17,154.9 million, primarily comprising (i) an increase in properties under development and completed properties held for sale of CNY16,971.0 million, (ii) an increase in other receivables, deposits and prepayments of CNY2,213.0 million and (iii) an increase in trade receivables of CNY1,628.8 million, partially offset by (i) an increase in deposits received on sale of properties of CNY612.7 million, (ii) an increase in accruals and other payables of CNY2,885.7 million, (iii) an increase in restricted cash of CNY90.0 million and (iv) an increase in business tax payables of CNY69.5 million.

Cash Flows From Investing Activities

The primary factors affecting net cash outflow from investing activities in the first half of 2016 were (i) purchases of property, plant and equipment of CNY467.7 million (US\$70.4 million); (ii) purchases of intangible assets of CNY101.0 million (US\$15.2 million); (iii) acquisition of subsidiaries, net of cash acquired of CNY115.2 million (US\$17.3 million); (iv) investments in available-for-sale financial assets and an associate of CNY122.1 million (US\$18.4 million), partially offset by proceeds on disposals of intangible assets of CNY128.0 million (US\$19.3 million) and decrease in time deposits of CNY392.3 million (US\$59.0 million).

The primary factors affecting net cash outflow from investing activities in 2015 were (i) purchase of property, plant and equipment of CNY1,302.8 million (US\$196.0 million); (ii) cash advanced to joint ventures and associates of CNY892.0 million (US\$134.2 million); (iii) increase in time deposits of CNY500.0 million (US\$75.2 million), partially offset by interest received of CNY143.0 million and proceeds from disposals of intangible assets of CNY120.2 million.

The primary factors affecting net cash outflow from investing activities in 2014 were (i) cash advanced to joint ventures and associates of CNY1,771.5 million; (ii) purchases of property, plant and equipment of CNY971.3 million; (iii) investments in joint ventures of CNY220.6 million, partially offset by cash repayments from joint ventures and associates of CNY879.1 million.

The primary factors affecting net cash outflow from investing activities in 2013 were (i) purchase of property, plant and equipment of CNY846.5 million; (ii) investments in joint ventures of CNY330.3 million; (iii) additions of investment properties of CNY105.3 million; partially offset by cash repayments from joint ventures and associates of CNY306.5 million and interests received of CNY151.7 million.

Cash Flows From Financing Activities

The primary factor affecting net cash inflow from financing activities in the first half of 2016 was proceeds from borrowings, net of transaction costs of CNY40,310.9 million (US\$6,065.5 million), primarily for financing of construction costs. Cash inflows from financing activities were partially offset in the first half of 2016 by a cash outflow in respect of repayments of borrowings of CNY18,132.0 million (US\$2,728.3 million).

The primary factor affecting net cash inflow from financing activities in 2015 was proceeds from borrowings, net of transaction costs of CNY46,050.4 million (US\$6,929.1 million), primarily for financing of construction costs. Cash inflows from financing activities were partially offset in 2015 by a cash outflow in respect of repayments of borrowings of CNY32,031.9 million (US\$4,819.8 million).

The primary factor affecting net cash inflow from financing activities in 2014 was proceeds from borrowings, net of transaction costs of CNY28,950.4 million, primarily for financing of construction costs. Cash inflows from financing activities were partially offset in 2014 by a cash outflow in respect of repayments of borrowings of CNY22,886 million.

The primary factor affecting net cash inflow from financing activities in 2013 was proceeds from borrowings, net of transaction costs of CNY38,910.9 million, primarily for financing of construction costs. Cash inflow from financing activities were partially offset in 2013 by a cash outflow in respect of repayments of borrowings of CNY13,459.2 million.

Bank loans and other borrowings

Our net borrowings (total bank loans and other borrowings less cash, restricted cash and time deposits) as of the dates indicated were as follows:

	As of 31 December				As of 30 June	
	2013	2014	2015		2016	
	CNY	CNY	CNY	US\$	CNY	US\$
				(unaudited)	(unaudited)	(unaudited)
	(in thousands)					
Borrowings included in non-current liabilities						
Long-term bank loans — secured	24,062,632	28,833,786	31,422,069	4,728,038	33,656,560	5,064,259
Long-term bank loans — unsecured	4,524,000	5,327,900	6,177,530	929,525	5,462,100	821,875
	<u>28,586,632</u>	<u>34,161,686</u>	<u>37,599,599</u>	<u>5,657,563</u>	<u>39,118,660</u>	<u>5,886,134</u>
2014 Corporate Bonds — unsecured	5,498,933	—	—	—	—	—
2015 Corporate Bonds — unsecured	—	—	6,429,519	967,441	6,436,418	968,480
2016 Corporate Bonds — unsecured	—	—	—	—	27,271,078	4,103,444
Senior notes — secured	8,521,961	11,987,708	12,776,880	1,922,521	10,506,758	1,580,938
Other borrowing — secured	15,143,577	16,268,944	19,010,527	2,860,489	17,678,348	2,660,038
Other borrowing — unsecured	1,000,000	2,050,000	900,000	135,422	1,900,000	285,891
Finance lease liabilities	147,189	105,332	60,519	9,106	36,930	5,557
Less: Current portion of long-term borrowings . . .	<u>(15,545,778)</u>	<u>(19,020,068)</u>	<u>(27,017,646)</u>	<u>(4,065,310)</u>	<u>(25,064,136)</u>	<u>(3,771,368)</u>
	<u>43,352,514</u>	<u>45,553,602</u>	<u>49,759,398</u>	<u>7,487,232</u>	<u>77,884,056</u>	<u>11,719,113</u>
Borrowings included in current liabilities						
Short-term bank loans — secured	2,080,535	—	37,500	5,643	1,325,500	199,446
Short-term bank loans — unsecured	469,000	377,000	1,284,096	193,216	423,000	63,648
	<u>2,549,535</u>	<u>377,000</u>	<u>1,321,596</u>	<u>198,859</u>	<u>1,748,500</u>	<u>263,095</u>
Other borrowings — secured	—	—	2,740,000	412,284	1,640,000	246,769
Other borrowings — unsecured	—	2,708,000	1,600,000	240,750	1,433,330	215,671
Current portion of long-term borrowings	<u>15,545,778</u>	<u>19,020,068</u>	<u>27,017,646</u>	<u>4,065,310</u>	<u>25,064,136</u>	<u>3,771,368</u>
Total borrowings	<u>61,447,827</u>	<u>67,658,670</u>	<u>82,438,640</u>	<u>12,404,436</u>	<u>107,770,022</u>	<u>16,216,016</u>
Cash	17,722,162	13,490,425	13,970,313	2,102,095	28,975,608	4,359,922
Restricted cash	6,622,173	6,339,497	6,814,094	1,025,308	8,259,825	1,242,845
Time deposits	—	—	500,000	75,234	107,721	16,209
Net borrowings	<u>37,103,492</u>	<u>47,828,748</u>	<u>61,154,233</u>	<u>9,201,799</u>	<u>70,426,868</u>	<u>10,597,040</u>

The maturity of our bank loans as of the dates indicated that were included in non-current liabilities were as follows:

	As of 31 December				As of 30 June	
	2013	2014	2015		2016	
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
Bank loans repayable						
Within one year	8,455,235	7,343,431	12,141,186	1,826,869	11,875,600	1,786,906
Between one and two years	7,332,041	11,382,610	9,711,608	1,461,293	12,238,103	1,841,452
Between two and five years	11,732,780	11,536,448	9,736,520	1,465,042	8,134,031	1,223,917
Over five years	3,616,111	4,276,197	7,331,881	1,103,219	8,619,426	1,296,954
Total bank loans	31,136,167	34,538,686	38,921,195	5,856,422	40,867,160	6,149,229

The carrying amounts of all our bank loans as of the dates indicated were denominated in the following currencies:

	As of 31 December						As of 30 June		
	2013		2014		2015		2016		
	CNY	%	CNY	%	CNY	US\$	%	CNY	US\$
	(in thousands, except percentages)								
CNY	30,221,632	97.1	34,538,686	100.0	38,921	5,856.4	100.0	40,367,710	6,074,077
HKS	—	—	—	—	—	—	—	—	—
US\$	914,535	2.9	—	—	—	—	—	331,560	49,889
AUS	—	—	—	—	—	—	—	167,890	25,262
Total	31,136,161	100	34,538,686	100	38,921	5,856.4	100	40,867,160	6,149,229

As of 30 June 2016, our total bank loans amounted to CNY40,867.2 million (US\$6,149.2 million), of which CNY1,748.5 million (US\$263.1 million) and CNY39,118.7 million (US\$5,886.1 million) were classified under current liabilities and non-current liabilities respectively. As of 30 June 2016, we also had other borrowings and finance lease liabilities carried at an amortised cost of CNY22,651.7 million (US\$3,408.4 million) and CNY36.9 million (US\$5.6 million), respectively, which were classified as current liabilities.

Restricted Cash

As of 31 December 2013, 2014 and 2015 and 30 June 2016, restricted cash amounted to approximately CNY6,622.2 million, CNY6,339.5 million, CNY6,814.1 million (US\$1,025.3 million) and CNY8,259.8 million (US\$1,242.8 million), respectively.

A major component of restricted cash is guarantee deposits for construction of pre-sold properties, which amounted to CNY3,683.5 million, CNY5,185.3 million, CNY4,663.6 million (US\$701.7 million) and CNY6,046.5 million (US\$909.8 million), respectively, as of 31 December 2013, 2014 and 2015 and 30 June 2016.

As of 30 June 2016, our cash at bank of CNY1,001.2 million (US\$150.6 million) were restricted to secure general banking facilities granted to us.

Gearing Ratio

Gearing ratio is calculated as net borrowings (total borrowings net of cash, restricted cash, and time deposits) divided by equity attributable to owners of the Company. As of 31 December 2013, 2014 and 2015 and 30 June 2016, our gearing ratio was 110.8%, 91.7%, 124.3% and 154.4%, respectively. The increase in gearing ratio from 31 December 2011 to 30 June 2016 was primarily attributable to increase in net borrowings.

Contingent Liabilities and Guarantees

We have mortgaged certain of our properties, including investment properties, properties under development and hotels, and pledged shares in certain subsidiaries to secure some of our general banking facilities and loans. As of 30 June 2016, CNY25,781.7 million (US\$3,879.3 million) of our borrowings were secured by such mortgages and pledged shares. The majority of our unsecured bank loans are supported by guarantees. We have also provided guarantees for certain bank facilities granted to our joint ventures and an associate. See “Description of Material Indebtedness and Other Obligations”.

Contractual Obligations

Our contractual obligations in connection with our property development activities primarily arise from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of the dates indicated.

	As of 31 December				As of 30 June	
	2013	2014	2015		2016	
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands, except percentages)					
Operating lease arrangements:						
Office premises	120,397	147,175	128,032	19,265	130,785	19,679
Other commitments contracted but not provided for:						
Properties under development	27,908,661	27,291,273	23,182,757	3,488,280	21,554,989	3,243,351
Other commitments authorised but not contracted for:						
Properties under development ⁽¹⁾	11,277,421	8,314,109	—	—	—	—
Total	<u>39,306,479</u>	<u>35,752,557</u>	<u>23,310,789</u>	<u>3,507,544</u>	<u>21,685,774</u>	<u>3,263,030</u>

Note:

(1) This item is not required to be separately disclosed starting from 2015 pursuant to the revised HKFRS.

Off-Balance Sheet Commitments and Arrangements

Except as disclosed elsewhere in this offering memorandum, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Market Risks

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our exposure to changes in interest rates is mainly attributable to our bank loans, especially long-term borrowings. Borrowings at variable rates expose us to interest rate risk. As of 30 June 2016, we had floating-rate bank loans of CNY40,867.2 million (US\$6,149.2 million). As of the date of this offering memorandum, we have not used any interest rate swap to hedge our exposure to interest rate risk.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue and profits. The PBOC one-year benchmark lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of 31 December 2013, 2014 and 2015 and 30 June 2016 were 6.0%, 5.6%, 4.35% and 4.35%, respectively. We cannot assure you that the PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. See "Risk Factors — Risks Relating to Our Business — Our profitability and results of operations are affected by changes in interest rates".

Foreign Exchange Rate Risk

We conduct our sales and purchases almost exclusively in Renminbi except that a small portion of our sales proceeds are in other currencies. Our exposure to foreign exchange risk is principally due to our cash and restricted cash denominated in Hong Kong dollars, U.S. dollars and Malaysia ringgits, our U.S. dollar-denominated debt and our payables in Hong Kong dollars. As of 30 June 2016, we had aggregate cash and bank balances (including restricted cash balances) of CNY37,343.2 million (US\$5,619.0 million), of which CNY36,191.8 million (US\$5,445.7 million) was denominated in Renminbi, HK\$161.4 million (US\$24.3 million) was denominated in Hong Kong dollars, US\$876.8 million was denominated in U.S. dollars and MYR4.3 million (US\$1.1 million) was denominated in Malaysia ringgits.

We recognise foreign exchange gain or loss in our statement of comprehensive income due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period. Appreciation of the Renminbi against the U.S. and Hong Kong dollars and Malaysia ringgit generally results in a gain arising from our U.S. and Hong Kong dollar-denominated debts and a loss arising from our bank deposits in U.S. and Hong Kong dollars and Malaysia ringgit. A depreciation of the Renminbi against the U.S. and Hong Kong dollars and Malaysia ringgit would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in foreign exchange rates have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to the Notes — Investment in the Notes is subject to exchange rate risks and “— The U.S. Dollar return on the Notes may be adversely affected by changes in the exchange rates between the Renminbi and the U.S. dollar”. We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the National Bureau of Statistics of China, China experienced inflation of approximately 2.5%, 2.0%, 1.4% and 2.1% in the year ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016. As of the date of this offering memorandum, we have not been materially affected by any inflation or deflation.

Non-GAAP Financial Measures

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

- other income and other gains — net (fair value gains on investment properties);
- share of results of associates and joint ventures;
- finance costs;
- depreciation; and
- amortisation.

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

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

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

	Year ended 31 December				Six months ended 30 June		
	2013	2014	2015		2015	2016	
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
	(in thousands)						
Profit before income tax	<u>12,871,829</u>	<u>10,156,386</u>	<u>11,589,501</u>	<u>1,743,857</u>	<u>2,892,113</u>	<u>4,031,773</u>	<u>606,656</u>
Adjustments:							
Other income and other gains – net							
(excluding fair value gains on investment							
properties).	(292,750)	(392,130)	(412,440)	(62,059)	(113,280)	(199,191)	(29,972)
Share of results of:							
Associates	50,901	25,205	18,893	2,843	5,100	14,854	2,235
Joint ventures.	(357,253)	(169,789)	(1,343,455)	(202,148)	(254,564)	(178,463)	(26,853)
Finance costs	2,731,089	2,756,324	4,255,851	640,372	1,024,394	2,047,567	308,095
Depreciation and amortisation.	<u>332,226</u>	<u>472,703</u>	<u>453,509</u>	<u>68,239</u>	<u>220,821</u>	<u>300,415</u>	<u>45,203</u>
EBITDA	<u>15,336,042</u>	<u>12,848,699</u>	<u>14,561,859</u>	<u>2,191,104</u>	<u>3,774,584</u>	<u>6,016,955</u>	<u>905,363</u>

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

INDUSTRY OVERVIEW

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

Overview of the PRC Economy

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the World Trade Organisation, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, increased from approximately CNY21,943.9 billion in 2006 to approximately CNY68,550.6 billion in 2015 at a compound annual growth rate, or CAGR, of approximately 13.5%. In January to June 2016, China's GDP increased to CNY34,063.7 billion, representing a year-on-year growth rate of 7.2%. Per capita disposable income in China reached CNY31,194.8 billion in 2015, representing an increase of approximately 8.2% over 2014. China's total imports and exports increased from approximately USD\$1,761.1 billion in 2006 to USD\$3,963.2 billion in 2015 at a CAGR of 9.4%. In the first half of 2016, China's total imports and exports reached USD\$1,727.1 billion, with a year-on-year decrease of 8.2%.

The table below sets out selected economic statistics for China for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H 2016
GDP (CNY in billions)	21,943.9	27,023.2	31,951.6	34,908.1	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,550.6	34,063.7
GDP per capita (CNY)	16,693.9	20,452.2	24,059.5	26,158.2	30,802.2	36,315.8	39,907.8	43,744.8	47,080.3	49,909.8	N/A ⁽¹⁾
Total imports and exports (US\$ in billions)	1,761.1	2,174.5	2,561.0	2,205.9	2,972.4	3,640.7	3,867.5	4,159.9	4,306.3	3,963.2	1,727.1
Utilized FDI (US\$ in billions)	72.7	83.5	108.3	94.1	114.7	124.0	121.1	117.5	128.5	135.6	69.4
Disposable income per capita:											
urban households (UH) (CNY)	11,759.5	13,785.8	15,780.7	17,174.7	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	16,957.0
Total savings of urban and rural households (CNY in billions)	16,158.7	17,253.4	21,788.5	26,077.2	30,330.2	35,279.7	41,135.2	N/A	50,887.8	55,207.3	58,754.9

Source: CEIC; National Bureau of Statistics of China

Note:

(1) N/A means not applicable

The economic growth of China and increasing urbanisation rate, are key factors in creating a real estate market in China and in sustaining the growth of China's real estate market. According to the National Bureau of Statistics of China, China's urbanisation rate, i.e. the proportion of the population residing in urban areas, rose from approximately 29.0% in 1995 to approximately 53.7% in 2013. Increases in the urban population of China will likely result in increases in demand for residential properties.

The table below shows China's urbanisation rate for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Population										
(millions).	1,314.5	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,373.5
Population: Urban										
(millions).	582.9	606.3	624.0	645.1	669.8	690.8	711.8	731.1	749.2	767.5
Urbanization Rate										
(%).	44.3%	45.9%	47.0%	48.3%	49.9%	51.3%	52.6%	53.7%	54.8%	55.9%

Source: National Bureau of Statistics of China

The PRC Real Estate Industry

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights.
1992	Sale of formerly public housing commenced in major cities.
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund, and issued a regulation regarding pre-sale of commodity housing in cities.
1995	The PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales.
1998	The PRC government abolished the state-allocated housing policy.
1999	The PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality.
2002	The PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China.
2003	The PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.

- 2004 The PRC government required real estate development projects (excluding affordable housing programmes) to be financed by developers themselves from their capital funds with respect to 35%, rather than 20%, of the total projected capital outlay for such projects, imposed more restrictive requirements on pre-sale of commodity housing in cities and issued guidelines to commercial banks to further strengthen their risk control over real estate financing.
- 2005 The PRC government adopted additional measures to discourage speculation in real properties, such as increasing the minimum down-payment to 30% of the total purchase price in selected cities where the housing price increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties.
- 2006 The PRC government implemented additional land supply, bank financing and other measures to curb fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry.
- 2007 The PRC government issued regulations to increase the annual land use tax, and to impose such land use tax on foreign invested enterprises as well and to require that land use right certificates be issued only upon full payment of the land premium with respect to all of the land use rights under a land grant contract, which effectively stopped the practice of issuing land use right certificates in installments.
- 2008 The PRC government took additional measures during the first half of the year to control money supply and discourage speculations in the residential property market, but took other measures during the second half of the year to combat the impact of the global economic downturn, to encourage domestic consumption in the residential property market and to support real estate development.
- 2009 The PRC government reduced the minimum capital funding requirement for real estate development from 35% to 20% for ordinary commodity housing projects and affordable housing projects, and to 30% for other real estate projects.

- 2010 In response to the property prices rises across the country, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending grant of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, and limiting the number of residential properties that one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of land appreciation tax in order to enforce the settlement and collection of land appreciation tax, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans and imposition of more stringent requirements on the payment of land premium by property developers and increasing the down payment and loan interest rates for properties purchased with mortgage loans.
- 2011 The PRC government implemented certain measures aimed at further reining in soaring property prices. These measures include further increasing the minimum down payment for second house purchases with high mortgage lending interest rate, imposing property tax in certain cities and levying business tax on the full transfer price arising from any transfer by individuals of residential property within five years upon their purchase of such residential property, in order to implement the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), many cities have promulgated measures to limit the number of residential properties one household can newly purchase, such as Guangzhou, Tianjin, Beijing, Shanghai, Suzhou, Qingdao, Jinan, Chengdu and Guiyang.
- 2012 On February 15, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (關於做好2012年房地產用地管理和調控重點工作的通知) which aimed to insist on stabilizing the housing price and guaranteeing the sufficient supply of social security housing.
- On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which became effective on July 1, 2012. Under these measures, if any land parcel constitutes “idle land” due to government-related action, the holder of the relevant land use rights is required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the relevant government authorities and rectify the situation accordingly. The means of rectification include but are not limited to the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions or the substitution of the relevant idle land parcels with other land parcels.

On July 19, 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) to strengthen the enforcement of macroeconomic policy in the real property market, which requires that residential construction projects must commence within one year from the land title delivery date as stipulated in the land allocation decision or land grant contract and must be completed within three years from the date of commencement.

On September 6, 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standard and Vigorously Promoting Economical Intensive Land Use (關於嚴格執行土地使用標準大力促進節約集約用地的通知), which stipulated that land use standards shall be strictly implemented and continuously improved in accordance with the principle of economical intensive land use.

On November 5, 2012, the Ministry of Land and Resources, the Ministry of Finance, PBOC and CBRC jointly promulgated the Notice on Strengthening Land Reserves and Financing Administration (Guotuzi Fa [2012] No. 162) (關於加強土地儲備與融資管理的通知 (國土資發[2012]162號)) in order to strengthen land bank institutions administration, determine the reasonable scale and structure of land bank, strengthen the administration of land pre-development, reservation and protection, and regulate the financing to land reservation and the use of land reservation funds.

In December 2012, the Draft Amendment of the Land Administration Law of the PRC (中華人民共和國土地管理法修正案草案) was approved at an executive meeting of the State Council. The draft amendment removed the total compensation ceiling for rural collective land expropriation, which was previously set at not more than 30 times of the average annual output of the land for three years before the expropriation.

2013

On 20 February 2013, the Standing Committee of the State Council released five new policies aimed at regulating the real estate market, including new initiatives aimed at controlling speculative property investments, increasing housing and land supply, and stepping up construction of affordable housing.

On 26 February 2013, the State Council issued the Notice to Further Enhance the Regulation and Control of the Real Estate Market (關於繼續做好房地產市場調控工作的通知), which included an income tax levy on homeowners of as high as 20 percent on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside.

On 19 July 2013, the PBOC announced a few measures to further liberalize China's lending interest rate effective from 20 July 2013, among which the most important is the removal of the lending rate floor for financial institutions, which was 30% below the benchmark rates. However, the floating range for personal housing loan lending rate remains intact to curb speculative demand on the property market and maintain a healthy development of the market. In the second half of 2013, the minimum down payment for second house purchaser was raised from 60% to 70% in several cities, including Guangzhou, Shanghai and Shenzhen.

On 2 December 2013, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and NDRC promulgated the Notice on Combine Running of Public Rental Housing and Low-rent Housing (住房和城鄉建設部、財政部、國家發展和改革委員會關於公共租賃住房和廉租住房並軌運行的通知), which stipulates that public rental housing and low-rent housing systems shall be combined into one system and such housing shall be named public rental housing from 2014 onwards.

2014

To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property on 29 September 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate.

- 2015 As of 1 March 2015, the new property registration rules in China unify property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among governmental departments including the police, taxation and audit authorities. On 30 March 2015, the PBOC, CBRC and the MOHURD jointly announced an easing of the housing mortgage policy. The second-home down payment required for self-use ordinary housing was lowered from between 60% and 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement was eased from 30% to 20% for first home purchases under housing provident fund scheme, and from 40% to 30% for second home purchases. The MOF exempted business tax on second-hand sales of ordinary housing held for more than two years. On 24 September 2015, the PBOC and CBRC jointly announced a notice to lower the minimum down payment of the acquisition of first self-used ordinary residential property to 25% of the purchase price in the cities where restrictions on purchase of residential property are not being implemented. In September 2015, the State Council decreased the capital fund ratio for property projects (excluding affordable housing projects and ordinary commodity residential projects) to 25%.
- 2016 On 1 February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where restrictions on purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted down by 5% by local authorities. For existing residential property household owners who have not fully repaid previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. From 30 September 2016 to date, Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Foshan Dongguan, Fuzhou, Huizhou, Hangzhou and other cities have issued new property market control policies, including restoring or strengthening the restrictions on purchases of residential properties and tightening credit policy.

You may find additional information on housing reforms and recent regulatory developments with respect to the property industry of China in the section entitled “— Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets” below and the section entitled “Regulation”.

Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets

Since 2004, in order to prevent the overheating of the PRC economy and to achieve a balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increase, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their capital funds;
- increasing the reserve requirement ratio of funds that a commercial bank must hold on deposit from 7% to 14.0–17.0%, effectively reducing the amount of money a bank is able to lend;
- increasing the PBOC one-year benchmark bank lending interest rates and public housing funds rates in December 2007 and September 2007, respectively, with the PBOC one-year benchmark lending interest rate at 7.47% and the public housing funds rates at 4.77% for loans with maturities of no more than five years and 5.22% for loans with maturities of over five years; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction and other relevant Chinese government authorities jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) followed by a set of new measures. These measures, which are aimed at directly controlling the growth of the real estate industry, include:

- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required loan payment to 30% of the total purchase price;
- an elimination of the preferential mortgage interest rate for residential housing;
- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract;
- cancellation of land use rights for land which has been idle for two years or more;
- a revocation of projects not in compliance with the planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In May 2006, MOHURD, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格的意見). Such opinions reiterated the existing measures and ushered additional measures that aim at further curbing the rapid increases then in property prices in large cities and promoting healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after 1 June 2006 must consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the unit floor area for the project is 90 sq.m. or more, effective from 1 June 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land or vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from 1 June 2006, as opposed to two years when such levy was initially introduced in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property that is not an ordinary residential property even though such transfer takes place after five years from his/her date of purchase.

In May 2007, MOFCOM and SAFE issued the Notice on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (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) commonly known as Notice 50. Under Notice 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights or property ownership certificates, or must first enter into pre-sale or pre-grant agreements with respect to the land use rights or property ownership certificates. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Having Passed the Procedure for the Record of the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), commonly known as Notice 130, together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before 1 June 2007.

As a result of Notice 130, unless the approval certificate of an FIREE as of 31 May 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt, including shareholder loans and overseas commercial loans, to finance its operations in China. It can only use its capital contributions instead. SAFE further informed in Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under the capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after 1 June 2007 but has not completed its filing with MOFCOM. Notice 130 was abolished and replaced by the Notice of the SAFE on Distributing the Administrative Measures for Registration of Foreign Debts(國家外匯管理局關於發佈外債登記管理辦法的通知) promulgated by SAFE dated April 28, 2013 and effected on May 13, 2013, which does not loosen the foreign debt restriction on FIREEs as provided by Notice 130.

In October 2007, the PRC government revised its Catalogue of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category.

In January 2008, the State Council issued a Notice on Promoting the Economical and Intensive Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilisation priority planning scheme, formulation of a system for assessing the optimal use of land and other proposed measures. The notice urges the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on an idle land fee amounting to 20% of the land grant premium for any land left idle for over one year but less than two years. The notice further urges the financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the site area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract.

Since October 2008, due to the global economic slowdown and financial market crisis, the PRC government has adopted a series of measures with respect to money supply, credit availability, fixed assets investment, tax reduction, and other areas to encourage domestic consumption, including support to the property market and real estate development such as the following:

- reducing the capital funding requirement for real estate developers from 35% to 20% for ordinary commodity housing projects and affordable housing projects, and 30% for other real estate projects;
- reducing the required deposit reserve ratio for commercial banks to 15.5% for large deposit — taking financial institutions and 13.5% for middle-to-small-sized deposit-taking financial institutions;
- reducing the PBOC one-year benchmark bank lending interest rate to 5.31%; and
- reducing the public housing funds rates to 3.33% (for loans with maturities of five years or less) and 3.87% (for loans with maturities of over five years), respectively.

In October 2008, the Ministry of Finance and the State Administration of Taxation issued a Notice on Adjustments to Taxation on Real Estate Transactions (關於調整房地產交易環節稅收政策的通知) to reduce the deed tax for first-time buyers of ordinary residential properties with a unit floor area of less than 90 sq.m. to 1%. In addition, sales and purchases of residential properties are temporarily exempted from stamp duty, and sales of residential properties are temporarily exempted from land value-added tax. However, in September 2010, the preferential policy regarding deed tax was replaced by the Notice on Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transaction (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) jointly promulgated by the Ministry of Finance, SAT and MOHURD, which specifies that, in the case that an individual purchases an ordinary house which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is reduced by half; and in the case that an individual purchases an ordinary house with a GFA of 90 sq.m. or less, which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%.

In December 2008, the General Office of the State Council released Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties (關於個人住房轉讓營業稅政策的通知) to encourage the consumption of ordinary residential properties and support the real estate development in response to the market changes, including:

- effective between 1 January 2009 and 31 December 2009, business tax will be imposed on transfers of non-ordinary residential properties that occur within two years, instead of five years as previously required, from their purchase dates;
- for ordinary residential properties, business tax is exempted if they are transferred after two years from the purchase dates;
- for transfers of non-ordinary residential properties two years after their purchase dates and ordinary residential properties within two years of their purchase dates, business tax is levied on the balance between the relevant sale prices and purchase prices;
- individuals with existing ordinary residential properties smaller than the average size under their local standards may buy second ordinary residential properties with the favourable loan terms similar to first time buyers; and
- the government will provide support to real estate development in response to the changing market conditions, including increasing credit financing to “low-to-medium-priced” or “small-to-medium-sized” ordinary commodity housing projects, particularly those under construction, and providing financial support to real estate developers with good credit standing for merger and acquisition activities.

In May 2009, the State Council issued the Notice on Adjusting the Portion of Capital for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知), under which the minimum capital ratio of affordable housing and ordinary commodity housing projects shall be 20% and the minimum capital ratio of other real estate projects shall be 30%.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown.

The Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知) to curtail speculations in the property market in response to the rising property price across the country. The above Notice has been revised on 1 January 2011 to state that:

- business tax will be imposed on the full amount of the sale income upon transfers of any residential properties that occur within five years from their purchase dates;
- for transfers of non-ordinary residential properties five years after their purchase dates, business tax is levied on the balance between the relevant sale prices and purchase prices; and
- for transfers of ordinary residential properties five years after their purchase dates, business tax is exempted.

In December 2009, the State Council considered measures to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, requiring relevant authorities to:

- increase the effective supply of ordinary commodity residential properties;
- continue to support the purchase of properties for self-use or improving housing conditions, and restrict purchases of properties for investment or speculation purposes;
- enhance regulation in the property market; and
- continue to extensively promote housing projects for low-income residents.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). The Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In January 2010, the General Office of the State Council issued a Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilise market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or subsequent residence through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

In March 2010, the Ministry of State Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知). According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium-sized residential units for self-use and the land supply for large residential units will be strictly

controlled and land supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit shall be at least 20% of the lowest land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium shall be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land cannot be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

In April 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知), or the April 2010 Notice or 17 April Notice, which provides that: (i) if a first-time home buyer (including a borrower and his or her spouse and minor children) buys a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The notice also provides for the suspension of the provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social insurances certification of more than one year.

In April 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without pre-sale approval, commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit, pre-payment or payment of a similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to engage in the practice of selling completed commodity properties.

In May 2010, State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to the calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT; and (ii) the deduction of fees incurred in connection with the property development.

In May 2010, State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions of China, and 1% for provinces in the western region of China. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the property type.

In May 2010, MOHURD, PBOC and CBRC jointly issued the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans

shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and minor children), and that second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening the Administration and Control of the Land-Use and Construction of Real Estates(關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; and in areas with high housing prices, and that the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1: 1; and (v) the grant of two or more bundled parcels of lands and unlevelled land (毛地) is prohibited.

In November 2010, MOHURD, the Ministry of Finance and PBOC jointly promulgated the Notice on Regulations of Policies Concerning Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides, among other things, that: (i) where a first-time house purchaser (including the borrower, his or her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%; (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that uses housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium-sized residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; and (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. For example, changing the plot ratio without approval is strictly prohibited.

PRC government has issued notices to further regulate the property market, including raising the minimum down payment for second house purchasers, abolishing the business tax preferential treatment on transfer of ordinary residential properties within five years, imposing more stringent fines on the idle land, further limiting the number of residential properties one household can purchase. From 27 January 2011, transfer of residential properties by individuals within five years of purchase is subject to business tax based on the sales price, while the business tax levied on the transfer of non-ordinary residential properties by individuals after five years from purchase is based on the difference between the sales price and the purchase price. In addition, on 28 January 2011, Shanghai and Chongqing commenced trials in levying property tax. Thirty-four cities, including Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shenyang and Dalian, have promulgated local measures to restrict housing purchases, as a step to implement the Notice of the State Council on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) issued on 26 January 2011.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC, which is effective as of 30 January 2012, the development of a whole land lot solely by foreign investors, as well as the construction and operation of golf courses and villas, fall within the category of industries in which foreign investment is prohibited. The development of a whole land lot jointly with PRC partners, as well as the construction and operation of high-end hotels, premium office buildings and international conference centers, fall within the category of industries in which foreign investment is subject to restrictions, and other real estate developments fall within the category of industries in which foreign investment is permitted.

In May 2012, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Version) and the Catalogue for Prohibited Land Use Projects (2012 Version) (關於發布實施《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知), as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which became effective on July 1, 2012. Under these measures, if any land parcel constitutes "idle land" due to government-related action, the holder of the relevant land use rights is required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the relevant government authorities and rectify the situation accordingly. The means of rectification include but are not limited to the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions or the substitution of the relevant idle land parcels with other land parcels.

On July 19, 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) to strengthen the enforcement of macroeconomic policy in the real property market. Local governments must secure the supply of residential land, especially land used for development of government-subsidized residential units. Local governments must strictly implement the macroeconomic control policies for the real property market. Residential

construction projects must commence within one year from the land title delivery date which is stipulated in the land allocation decision or land grant contract, and must be completed within three years from the date of commencement.

On September 6, 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standards and Vigorously Promoting Economical and Intensive Land Use (關於嚴格執行土地使用標準大力促進節約集約用地的通知), which stipulates, among other things, that: (a) land use standards shall be strictly implemented and continuously improved. For industrial and commercial land transferred through lawful public tender, auction and listing-for-sale, the administration of land and resources of cities and counties shall establish the requirements related to land use standards for the schemes and announcement of land assignment, and include such requirements in assignment contracts and strictly enforce the requirements. Construction lands that are listed in the Catalog for Prohibited Land Use Projects, or that fail to conform to the prescribed conditions in the Catalog for Restricted Land Use Projects (限制用地項目目錄), or for which the intensity of investment, floor area ratio, construction coefficient, ratio of green land, or proportion of administrative offices and living facilities land fail to conform to relevant requirements for industrial projects or total area or each functional division area surpasses the required limits or the land area and floor area ratio fails to conform to the conditions of the residential land supply shall not pass the land supply and approval procedures; (b) the format and substantial content of land use standard shall be strictly examined; (c) the implementation of land use standard shall be further supervised and evaluated; and (d) the land use standard training program shall be given to the officials in land and resources authorities, and such land use standards shall be widely publicized for the purpose of effectuation.

On February 20, 2013, the Standing Committee of the State Council released five new policies to regulate the real estate market, including new initiatives aimed at streamlining the work responsibility system for property prices, controlling speculative property investments, increasing commodity housing and land supply, stepping up construction of affordable housing, and tightening controls of the market.

On February 26, 2013, the State Council issued the Notice to Further Enhance the Regulation and Control of the Real Estate Market (關於繼續做好房地產市場調控工作的通知) to cool China's property market. These measures included a levy of income tax of up to 20 percent on profit made from homeowners selling their homes, allowing local branches of the central bank in cities with soaring home prices to increase the down payment rate and mortgage loan interest rates for homebuyers purchasing a second unit, and banning non-local families with more than one home and non-local families without a certain number of years of tax payment and social security certificates from buying homes in the cities in which they currently reside. The State Council also stated that local governments will be held accountable for curbing soaring home prices and requested they make specific schedules accordingly.

On 19 July 2013, the PBOC announced a few measures to further liberalize China's lending interest rate effective from 20 July 2013, among which the most important is the removal of the lending rate floor for financial institutions, which was 30% below the benchmark rates. However, the floating range for personal housing loan lending rate remains intact to curb speculative demand on the property market and maintain a healthy development of the market. In the second half of 2013, the minimum down payment for second house purchaser was raised from 60% to 70% in several cities, including Guangzhou, Shanghai and Shenzhen.

On 2 December 2013, the Ministry of Housing and Urban-Rural Development, the Ministry of Finance and NDRC promulgated the Notice on Combine Running of Public Rental Housing and Low-rent Housing (住房和城鄉建設部、財政部、國家發展和改革委員會關於公共租賃住房和廉租住房並軌運行的通知), which stipulates that public rental housing and low-rent housing systems shall be combined into one system and such housing shall be named public rental housing from 2014 onwards.

According to the Provisions on the Economic and Intensive Use of Land (節約集約利用土地規定), which was promulgated by the Ministry of Land and Resources on 22 May 2014 and effective since 1 September 2014, land use right granting fee shall not be less than the lowest price standard of the State and shall not be reduced or relieved in any way.

On 26 February 2013, the General Office of the State Council promulgated the Notice to Further Enhance the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, that in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratio and interest rates for loans to purchase second residential properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased minimum down payment for purchasers of second residential properties to 70% of the purchase price.

On 29 September 2014, the PBOC and the CBRC jointly issued the Notice on Further improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知), which stipulates that, (i) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (ii) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (iii) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

On 30 March 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice Concerning the Issues of the Policy of Personal Housing Loan (關於個人住房貸款政策有關問題的通知). The notice lowers the minimum down payment to 40% of the property price for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to buy a second residential property to improve its living conditions.

On 27 August 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund (關於調整住房公積金個人住房貸款購房最低首付款比例的通知). The notice lowers the minimum down payment rate payable by households from 30% to 20% when such households, which owned one residential property and settled the housing loans, apply for loans from the housing provident fund for a second residential property to improve living conditions.

On 1 February 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知). The notice provides that, in cities where restriction on the purchase of residential property is not imposed, the minimum down payment is 25% of the property price for a household applying for personal housing commercial loans to purchase its first ordinary residential property, which may be further decreased by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%.

Commodity Property Sales in China

Demand for real estate in China has seen a steady increase over the years. According to CEIC and the National Bureau of Statistics of China, a total GFA of 1,284.9 million sq.m. was sold in the PRC in 2015, an increase from the 606.3 million sq.m. sold in 2006. Of the 1,284.9 million sq.m. of aggregate GFA sold in 2015, approximately 1,124.1 million sq.m. were residential properties. The total revenue from real property sales in China increased from approximately CNY2,051.0 billion in 2006 to approximately CNY8,728.1 billion in 2015.

The total revenue from real estate property sales increased to CNY4,868.2 billion for the six months ended 30 June 2016, representing a year-on-year increase of 42.1%. Total GFA completed was 395.5 million sq.m. for the six months ended 30 June 2016, which represented a year-on-year increase of 20.0% from the same period in 2015. The aggregate GFA sold in China increased by 27.9% to 643.0 million sq.m. from 502.6 million sq.m. for the six months ended 30 June 2015. Of the 643.0 million sq.m. of aggregate GFA sold, 570.9 million sq.m. were residential GFA sold, which experienced a year-on-year increase of 28.6%.

The average price of commodity properties sold in China increased from CNY3,382.9 per sq.m. in 2006 to CNY6,793.0 per sq.m. in 2015, while the average price of residential properties sold increased from CNY3,132.4 per sq.m. to CNY6,472.0 per sq.m. during the same period.

The table below sets out selected statistics relating to the PRC property market for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H 2016
Real estate investment (CNY in billions)	1,938.2	2,528.0	3,058.0	3,623.2	4,826.7	6,174.0	7,180.4	8,601.3	9,503.6	9,597.9	4,663.1
Floor space completed (million square meters)	530.2	582.4	585.0	726.8	759.6	892.4	994.2	1,014.3	1,074.6	1,000.4	395.5
Floor space sold (million square meters)	606.3	761.9	620.9	947.6	1,043.5	1,099.5	1,113.0	1,305.5	1,206.5	1,284.9	643.0
GFA sold: residential (million square meters)	543.9	691.0	558.9	861.9	930.5	970.3	984.7	1,157.2	1,051.8	1,124.1	570.9
Average price of commodity properties (CNY per square meter)	3,382.9	3,885.0	3,877.0	4,695.0	5,029.0	5,377.0	5,791.0	6,237.0	6,323.0	6,793.0	7,571.0
Average price of residential properties (CNY per square meter)	3,132.4	3,665.0	3,655.0	4,474.0	4,724.0	5,011.0	5,430.0	5,850.0	5,932.0	6,472.0	7,322.0
Total sales revenue of commodity properties (CNY in billions)	1,662.1	2,160.4	2,439.4	3,250.8	4,058.5	4,169.8	4,746.3	6,669.8	6,253.5	6,586.1	N/A ⁽¹⁾
Total sales revenue of residential properties (CNY in billions)	1,703.8	2,532.3	2,042.4	3,815.7	4,395.3	4,861.9	5,346.7	6,769.5	6,239.6	7,275.3	4,180.2

Sources: CEIC; National Bureau of Statistics of China

Note:

(1) N/A means not applicable

Hotel Industry in China

China's tourism industry has benefited from the strong economic growth in China which has resulted in higher disposable income for urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travellers to China also contributed to the growth of China's tourism sector. The total number of overseas visitor arrivals reached 133.8 million visitors in 2015, representing a compound annual growth rate of 0.8% from 2006 to 2015. The majority of these visitor arrivals were compatriots from Hong Kong, Macau and Taiwan, who accounted for approximately 80.6% of all overseas visitors to the PRC in 2015. Moreover, the number of foreign visitors to the PRC also increased at a compound annual growth rate of 1.8% between 2006 and 2015.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Visitor arrivals	124.9	131.9	130.0	126.5	133.8	135.4	132.4	129.1	128.5	133.8	67.9
Visitor arrivals from Hong Kong, Macau and Taiwan.	102.7	105.8	105.7	104.5	107.6	108.3	105.2	102.8	102.1	107.8	54.4
% of visitor arrivals from Hong Kong, Macau and Taiwan.	82.2%	80.2%	81.3%	82.7%	80.5%	80.0%	79.5%	79.6%	79.5%	80.6%	80.2%
Visitor arrivals: Foreigners	22.2	26.1	24.3	21.9	26.1	27.1	27.2	26.3	26.4	26.0	13.5

Source: CEIC

Office Property Market in China

Many multi-national corporations have set up their regional headquarters in order to better access local markets and establish a foothold in China. The economic growth has been accompanied by a general shifting of the economic base within major urban areas such that there has been a move away from production-based industrial activities to more service-based activities, such as research and development, product design, market research and branding and advertising. The Tertiary industry is becoming a more important component of the overall economy, growing from CNY8,855.5 billion in 2006 to CNY26,220.4 billion in 2013. The employed population in the tertiary sector in China increased from 124.6 million in 1991 to 296.4 million in 2013. The growth in the tertiary sector will generate more demand for office properties to house the enlarging workforce in this sector.

Retail Property Market in China

Retail sales in China have experienced strong growth.

Growth in retail sales largely reflected the urbanisation of households in China, as the propensity to consume of urban households is higher than that of rural households. Disposable income in China has continued to grow steadily and this has benefited the development of the retail sector in the country. As China's population becomes more affluent, the composition of its population's retail spending is shifting away from a heavy weighting towards food to a more balanced consumption model common for a more developed country. The shift in consumption pattern towards more discretionary spending is expected to continue as incomes increase. Demand for prime retail spaces is expected to remain firm on the back of China's rapid urbanisation and rising income levels of the middle and upper class.

Property Market in Beijing

As the nation's capital, Beijing is a municipality that covers an area of approximately 16,411 square kilometers and had a total registered population of approximately 21.7 million as of 31 December 2015.

Beijing's economy has developed significantly over the years. This is primarily due to robust growth of the national economy as well as the increasing inflow of foreign direct investment. Since August 2008, Beijing has further enhanced its international profile with the successful hosting of the Olympic Games as well as an improved environment and transportation system, which is anticipated to further attract direct investment and new demand for residential properties in the city.

The table below sets forth selected data relating to economic development in Beijing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	811.8	984.7	1,111.5	1,215.3	1,411.4	1,625.2	1,787.9	1,980.1	2,133.1	2,301.5
GDP per capita (CNY)	51,722.0	60,096.0	64,491.0	66,940.0	73,856.0	81,658.0	87,475.0	94,647.9	99,995.0	106,497.0
Year-end registered population (millions)	16.0	16.8	17.7	18.6	19.6	20.2	20.7	21.1	21.5	21.7
Disposable income per capita (CNY) ⁽¹⁾	19,977.5	21,988.7	24,724.9	26,738.5	29,072.9	32,903.0	36,469.0	44,563.9	48,531.8	52,859.2

Source: CEIC

Note:

(1) This is the disposable income per capital for urban population.

Despite the series of austerity measures implemented by the PRC government to cool the real estate market, Beijing's property market has attracted substantial investment in the recent years. The city's average selling price of residential properties also rose significantly to CNY22,300.3 per sq.m. in 2015, representing a CAGR of 13.1% from CNY7,375.4 in 2006. Total sales revenue of residential properties increased from CNY162.6 billion in 2006 to CNY251.3 billion in 2015. The table below sets forth selected data relating to real estate development in Beijing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	172.0	199.6	190.9	233.8	290.1	303.6	315.3	348.3	371.5	417.7	160.8
GFA of residential properties completed (million square meters)	21.9	18.5	14.0	16.1	15.0	13.2	15.2	16.9	18.0	13.8	4.7
GFA of residential properties sold (million square meters)	22.1	17.3	10.3	18.8	12.0	10.3	14.8	13.6	11.4	11.3	3.9
Sale revenue from residential properties (CNY in billions)	162.6	184.6	120.1	248.7	206.1	160.6	245.5	243.5	210.2	251.3	120.5
Average price of residential properties (CNY)	7,375.4	10,661.2	11,648.0	13,224.0	17,151.0	15,516.9	16,553.5	17,854.0	18,499.0	22,300.3	31,217.5

Source: CEIC, WIND

Property Market in Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,800 square kilometers and had a total population of approximately 106.4 million as of 31 December 2013. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. The table below sets out selected economic statistics for Guangdong Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	2,658.8	3,177.7	3,679.7	3,948.3	4,601.3	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3
GDP per capita (CNY)	28,533.7	33,271.6	37,637.9	39,435.9	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0
Year-end registered population (millions)	94.4	96.6	98.9	101.3	104.4	105.0	105.9	106.4	107.2	108.5
Disposable income per capita (CNY)	16,015.6	17,699.3	19,732.9	21,574.7	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2

Source: CEIC

Aggregate real estate investments in Guangdong Province reached approximately CNY853.8 billion in 2015, representing a CAGR of 18.6% since 2006. The GFA of completed residential properties in Guangdong Province was approximately 44.4 million sq.m. in 2015, representing a CAGR of 2.9% since 2006. Total residential GFA sold in Guangdong Province in 2015 was approximately 105.0 million sq.m., representing a CAGR of 9.4% since 2006. The average price of residential GFA sold in Guangdong Province in 2015 was CNY9,494.8 per sq.m., representing a CAGR of 8.4% since 2006. The table below sets out selected statistics relating to the property market in Guangdong Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	184.4	251.7	294.9	296.1	366.0	481.0	535.3	649.0	763.8	853.8	451.3
GFA of residential properties completed (million square meters)	34.2	35.0	34.8	41.1	45.9	48.8	49.2	47.5	54.4	44.4	18.6
GFA of residential properties sold (million square meters)	46.9	56.0	43.6	65.7	65.5	67.1	71.6	88.3	81.6	105.0	60.6
Sale revenue from residential properties (CNY in billions)	215.4	318.4	249.6	417.7	459.0	507.1	548.8	747.6	696.0	996.7	641.0
Average price of residential properties (CNY)	4,588.6	5,682.1	5,723.0	6,360.0	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,494.8	10,584.5

Source: CEIC, WIND

Property Market in Guangzhou

Guangzhou is the capital city of Guangdong Province. It covers a total area of approximately 7,249 square kilometers and had a registered population of approximately 13.5 million as of 31 December 2015. It is the third largest city in China in terms of GDP and the largest city in southern China. Guangzhou is approximately two hours away from Hong Kong and Shenzhen by train.

The growth in the economy and population of Guangzhou has generated an increase in housing demand in the city. From 2006 to 2015, the registered population of Guangzhou has increased from 10.0 million to 13.5 million, representing a CAGR of 3.4%. The table below sets out selected economic statistics for Guangzhou for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	607.4	714.0	828.7	913.8	1,074.8	1,242.3	1,355.1	1,542.0	1,670.7	1,810.0
GDP per capita (CNY)	63,100.0	69,672.9	76,439.5	79,383.0	87,458.0	97,588.0	105,908.9	119,695.0	128,478.0	134,066.0
Year-end registered population (millions).	10.0	10.5	11.2	11.9	12.7	12.8	12.8	12.9	13.1	13.5
Disposable income per capita (CNY)	19,851.0	22,469.2	25,316.7	27,609.6	30,658.5	34,438.1	38,053.5	42,049.1	42,954.6	46,734.6

Source: CEIC

Note:

(1) N/A means not applicable

Residential real estate investments in Guangzhou have increased over the years. Total real estate investments in the city amounted to approximately CNY213.8 billion in 2015, representing a CAGR of 16.1% since 2006. GFA of completed residential properties in Guangzhou in 2015 was approximately 9.8 million sq.m., representing a CAGR of 2.7% since 2006. In 2015, total residential GFA sold in Guangzhou amounted to approximately 13.4 million sq.m. The average price of total residential GFA sold in Guangzhou in 2015 reached CNY14,083.3 per sq.m., representing a CAGR of 9.6% since 2006. The table below sets out key statistics relating to the property market in Guangzhou for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions).	55.7	70.4	76.4	81.7	98.4	130.5	137.0	157.2	181.6	213.8
GFA of residential properties completed (million square meters)	7.7	7.0	7.5	7.9	7.7	8.4	8.0	7.1	12.2	9.8
GFA of residential properties sold (million square meters)	11.6	11.6	8.8	12.5	11.1	9.9	11.3	14.0	12.0	13.4
Sale revenue from residential properties (CNY in billions).	71.1	97.8	77.2	112.7	118.0	108.3	135.4	195.1	176.3	189.4
Average price of residential properties (CNY) .	6,152.2	8,439.1	8,781.0	8,988.0	10,615.1	10,925.8	12,000.9	13,954.2	14,738.6	14,083.3

Sources: CEIC; WIND

Note:

(1) N/A means not applicable

Property Market in Huizhou

Huizhou is located in the southeastern region of Guangdong Province. It occupies a total area of approximately 11,346 square kilometers and had a registered population of approximately 4.8 million as of 31 December 2015. Huizhou's GDP reached approximately CNY314.0 billion in 2015. Per capita disposable income has increased from CNY15,991.0 in 2006 to CNY30,056.9 in 2015, representing a CAGR of 7.3%. The table below sets out the selected statistics of Huizhou for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	93.5	111.8	130.4	141.5	173.0	209.3	236.8	267.8	300.0	314.0
GDP per capita (CNY)	25,043.0	28,288.3	31,747.6	33,141.7	38,650.0	45,330.9	50,873.5	57,144.0	63,657.0	66,231.0
Year-end registered population (millions)	3.9	4.0	4.2	4.4	4.6	4.6	4.7	4.7	4.7	4.8
Disposable income per capita (CNY)	15,991.0	18,770.0	19,481.0	21,278.0	23,565.2	26,608.9	29,965.0	32,992.0	27,299.6	30,056.9

Source: CEIC

Total real estate investments in Huizhou amounted to approximately CNY61.0 billion in 2015, representing a CAGR of 27.4% since 2006. In 2015, total residential GFA sold in Huizhou amounted to approximately 12.5 million sq.m., representing a CAGR of 20.0% since 2006. The average price of total residential GFA sold in Huizhou in 2015 reached CNY6,084.1 per sq.m., representing a CAGR of 8.8% since 2006. The table below sets out key statistics relating to the property market in Huizhou for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	6.9	13.8	18.7	17.5	26.8	37.7	48.2	59.3	66.7	61.0
GFA of residential properties completed (million square meters)	2.5	4.0	3.0	5.4	6.3	8.0	8.3	11.5	N/A ⁽¹⁾	N/A ⁽¹⁾
GFA of residential properties sold (million square meters)	2.4	3.6	2.7	5.2	5.9	7.5	7.9	10.9	9.2	12.5
Sale revenue from residential properties (CNY in billions)	6.9	13.7	10.6	21.2	28.6	41.5	44.6	61.4	53.5	75.8
Average price of residential properties (CNY)	2,840.0	3,771.0	3,930.0	4,111.0	4,816.7	5,480.0	5,662.4	5,617.8	5,828.9	6,084.1

Sources: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Chongqing

Chongqing is one of the four municipalities under the direct administration of the PRC central government and an important economic hub in southwestern China. The table below sets out selected economic statistics for Chongqing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	390.7	467.6	579.4	653.0	792.6	1,001.1	1,141.0	1,278.3	1,426.3	1,571.7
GDP per capita (CNY)	13,939.0	16,629.0	20,490.0	22,920.0	27,596.0	34,500.0	38,914.0	43,223.0	47,850.0	52,321.0
Year-end registered population (millions)	28.1	28.2	28.4	28.6	28.8	29.2	29.5	29.7	29.9	30.2
Disposable income per capita (CNY)	11,569.7	12,590.8	14,367.6	15,748.7	17,532.4	20,249.7	22,968.1	23,058.2	25,147.2	27,238.8

Source: CEIC

Real estate investments in Chongqing reached approximately CNY375.1 billion in 2015, representing a CAGR of 21.9% since 2006. The GFA of completed residential properties in Chongqing was approximately 31.9 million sq.m. in 2015. Total residential GFA sold in Chongqing in 2015 was approximately 44.8 million sq.m., representing a CAGR of 9.3% since 2006. The average price of residential GFA sold in Chongqing in 2015 was CNY5,012.5 per sq.m., representing a CAGR of 10.3% since 2006. The table below sets out selected statistics relating to the property market in Chongqing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	63.0	85.0	99.1	123.9	162.0	201.5	250.8	301.3	363.0	375.1	172.4
GFA of residential properties completed (million square meters)	17.0	17.7	19.5	23.8	21.8	28.3	33.9	28.7	27.7	31.9	14.6
GFA of residential properties sold (million square meters)	20.1	33.1	26.7	37.7	39.9	40.6	41.1	43.6	44.2	44.8	23.8
Sale revenue from residential properties (CNY in billions)	41.9	85.7	70.5	123.2	161.1	182.5	197.2	228.4	225.3	224.4	119.7
Average price of residential properties (CNY)	2,081.3	2,588.2	2,640.0	3,266.0	4,040.4	4,492.3	4,804.8	5,238.5	5,093.7	5,012.5	5,033.8

Source: CEIC, WIND

Property Market in Tianjin

Tianjin is one of the four municipalities under the direct administration of the PRC central government and an economic and cultural centre in China. The table below sets out selected economic statistics for Tianjin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	446.3	525.3	671.9	752.2	922.4	1,130.7	1,289.4	1,444.2	1,572.7	1,653.8
GDP per capita (CNY)	42,141.0	47,970.0	58,656.0	62,574.0	72,994.0	85,213.0	93,173.0	100,105.4	105,231.3	107,960.1
Year-end registered population (millions)	10.8	11.2	11.8	12.3	13.0	13.5	14.1	14.7	15.2	15.5
Disposable income per capita (CNY)	14,283.1	16,357.4	19,422.5	21,402.0	24,292.6	26,920.9	29,626.0	28,979.8	31,506.0	34,101.3

Source: CEIC

Real estate investments in Tianjin reached approximately CNY187.2 billion in 2015, representing a CAGR of 18.6% since 2006. The GFA of completed residential properties in Tianjin was approximately 21.8 million sq.m. in 2015, representing a CAGR of 5.8% since 2006. Total residential GFA sold in Tianjin in 2015 was approximately 16.7 million sq.m. The table below sets out selected statistics relating to the property market in Tianjin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	40.2	50.5	65.4	73.5	86.7	108.0	126.0	148.1	170.0	187.2	120.2
GFA of residential properties completed (million square meters)	13.1	14.2	14.6	15.8	16.0	16.4	19.1	21.2	21.3	21.8	1.8
GFA of residential properties sold (million square meters)	13.3	14.0	11.4	14.6	13.5	13.7	15.1	17.2	14.8	16.7	9.6
Sale revenue from residential properties (CNY in billions)	62.0	78.2	63.6	96.5	103.4	116.7	121.1	144.3	131.0	166.3	120.2
Average price of residential properties (CNY)	4,649.2	5,575.7	5,598.0	6,605.0	7,912.6	8,538.9	8,009.6	8,389.8	8,759.5	9,869.6	12,580.4

Source: CEIC, WIND

Property Market in Sichuan Province

Sichuan Province is in western China. The table below sets out selected economic statistics for Sichuan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	869.0	1,056.2	1,260.1	1,415.1	1,718.5	2,102.7	2,387.3	2,639.2	2,853.6	3,005.3
GDP per capita (CNY)	10,613.0	12,963.0	15,495.0	17,339.0	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,775.0
Year-end registered population (millions)	81.7	81.3	81.4	81.9	80.4	80.5	80.8	81.1	81.4	82.0
Disposable income per capita (CNY)	9,350.1	11,098.3	12,633.4	13,839.4	15,461.2	17,899.1	20,307.0	22,227.5	24,234.2	26,205.3

Source: CEIC

Real estate investments in Sichuan Province reached approximately CNY481.3 billion in 2015, representing a CAGR of 20.3% since 2006. The GFA of completed residential properties in Sichuan Province was approximately 31.5 million sq.m. in 2015, representing a CAGR of 2.1% since 2006. Total residential GFA sold in Sichuan Province in 2015 was approximately 65.0 million sq.m., representing a CAGR of 6.3% since 2006. The average price of residential GFA sold in Sichuan in 2015 was CNY5,033.6 per sq.m., representing a CAGR of 10.1% since 2006. The table below sets out selected statistics relating to the property market in Sichuan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	92.0	133.1	145.2	158.8	219.5	281.9	326.6	385.3	438.0	481.3	262.3
GFA of residential properties completed (million square meters)	26.2	25.9	29.0	36.8	33.9	34.6	47.1	40.3	38.7	31.5	20.7
GFA of residential properties sold (million square meters)	37.4	45.6	32.5	55.5	58.5	58.3	56.8	65.1	61.8	65.0	33.3
Sale revenue from residential properties (CNY in billions)	76.2	125.3	90.7	189.1	233.1	272.7	281.6	330.9	314.5	327.0	176.5
Average price of residential properties (CNY)	2,122.6	2,752.8	3,067.0	3,434.0	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	5,301.4

Source: CEIC, WIND

Property Market in Chengdu

Chengdu is the capital city of Sichuan Province and an economic centre in southwestern China. The table below sets out selected economic statistics for Chengdu for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	275.0	332.4	390.1	450.3	555.1	685.5	813.9	910.9	1,005.7	1,080.1
GDP per capita (CNY)	25,171.0	26,525.0	30,855.0	35,215.0	48,510.0	49,438.0	57,624.0	N/A	70,019.0	74,273.0
Year-end registered population (millions)	11.0	11.1	11.2	11.4	11.5	14.1	14.2	14.3	14.4	14.7
Disposable income per capita (CNY)	12,789.0	14,849.2	15,580.0	17,589.0	19,919.5	23,047.8	27,194.0	29,968.0	30,996.2	33,475.9

Source: CEIC

Note:

(1) N/A means not applicable

Real estate investments in Chengdu reached approximately CNY244.2 billion in 2015, representing a CAGR of 16.6% since 2006. The GFA of completed residential properties in Chengdu was approximately 8.6 million sq.m. in 2015, representing a CAGR of -1.2% since 2006. Total residential GFA sold in Chengdu in 2015 was approximately 24.7 million sq.m., representing a CAGR of 5.9% since 2006. The average price of residential GFA sold in Chengdu in 2015 was CNY6,584.1 per sq.m., representing a CAGR of 7.3% since 2006. The table below sets out selected statistics relating to the property market in Chengdu for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	61.4	90.5	92.4	94.5	127.8	158.5	189.0	211.0	222.1	244.2
GFA of residential properties completed (million square meters)	9.6	8.9	10.3	14.6	13.0	11.8	15.9	13.5	13.8	8.6
GFA of residential properties sold (million square meters)	14.8	20.8	13.6	25.5	22.9	23.1	24.3	25.6	24.8	24.7
Sale revenue from residential properties (CNY in billions)	51.9	87.5	64.9	123.9	133.4	145.9	161.9	171.5	161.8	162.1
Average price of residential properties (CNY)	3,499.0	4,198.3	4,778.0	4,864.0	5,827.2	6,360.9	6,678.5	6,707.6	6,536.0	6,584.1

Source: CEIC; WIND

Note:

(1) N/A means not applicable

Property Market in Liaoning Province

Liaoning Province is in northern China. The table below sets out selected economic statistics for Liaoning Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	930.5	1,116.4	1,366.9	1,521.2	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,866.9
GDP per capita (CNY)	21,914.0	26,057.0	31,739.0	35,149.0	42,355.0	50,760.0	56,649.0	61,996.2	65,201.2	65,354.4
Year-end registered population (millions)	42.7	43.0	43.1	43.4	43.7	43.8	43.9	43.9	43.9	43.8
Disposable income per capita (CNY)	10,369.6	12,300.4	14,392.7	15,761.4	17,712.6	20,466.8	23,222.7	26,697.0	29,081.7	31,125.7

Source: CEIC

Real estate investments in Liaoning Province reached approximately CNY355.9 billion in 2015, representing a CAGR of 13.5% since 2006. The GFA of completed residential properties in Liaoning Province was approximately 25.3 million sq.m. in 2015, representing a CAGR of 0.4% since 2006. Total residential GFA sold in Liaoning Province in 2015 was approximately 34.8 million sq.m., representing a CAGR of 2.7% since 2006. The average price of residential GFA sold in Liaoning Province in 2015 was CNY5,486.0 per sq.m., representing a CAGR of 7.4% since 2006. The table below sets out selected statistics relating to the property market in Liaoning Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	114.2	149.8	206.1	264.1	346.6	448.8	545.6	645.1	530.1	355.9	143.9
GFA of residential properties completed (million square meters)	24.5	26.9	32.6	33.9	36.9	52.3	51.3	50.3	49.4	25.3	6.4
GFA of residential properties sold (million square meters)	27.3	35.5	37.3	48.6	60.1	66.3	76.6	80.1	49.3	34.8	16.1
Sale revenue from residential properties (CNY in billions)	78.7	118.9	133.4	188.3	258.8	300.9	361.1	394.2	251.9	190.8	92.4
Average price of residential properties (CNY)	2,883.6	3,354.6	3,575.0	3,872.0	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5,738.7

Source: CEIC, WIND

Property Market in Shenyang

Shenyang is the capital city of Liaoning Province and an economic and industrial centre in northeastern China. The table below sets out selected economic statistics for Shenyang for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	252.0	322.1	386.0	426.9	501.8	591.6	660.3	715.9	709.9	728.1
GDP per capita (CNY)	33,798.0	41,767.0	49,166.0	54,654.0	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,833.0
Year-end registered population (millions)	7.0	7.1	7.1	7.2	7.2	7.2	7.2	7.3	7.3	7.3
Disposable income per capita (CNY)	11,651.4	14,606.5	17,013.1	18,474.6	20,541.2	23,326.2	26,430.8	29,073.9	34,232.9	36,642.9

Source: CEIC

Real estate investments in Shenyang reached approximately CNY133.8 billion in 2015, representing a CAGR of 10.6% since 2006. The GFA of completed residential properties in Shenyang was approximately 7.7 million sq.m. in 2015, representing a compound annual decrease rate of 3.1% since 2006. Total residential GFA sold in Shenyang in 2015 was approximately 9.5 million sq.m., representing a compound annual decrease rate of 2.1% since 2006. The average price of residential GFA sold in Shenyang in 2015 was CNY6,416.0 per sq.m., representing a CAGR of 8.1% since 2006. The table below sets out selected statistics relating to the property market in Shenyang for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	53.8	73.0	101.1	118.9	145.0	168.5	194.3	218.4	197.6	133.8
GFA of residential properties completed (million square meters)	10.2	10.9	10.8	10.8	11.1	16.1	16.4	12.3	9.9	7.7
GFA of residential properties sold (million square meters)	11.5	13.6	13.1	13.7	15.2	19.5	22.0	20.2	13.4	9.5
Sale revenue from residential properties (CNY in billions)	36.6	48.0	50.4	57.5	77.5	109.6	131.9	122.5	78.7	60.9
Average price of residential properties (CNY)	3,184.0	3,535.8	3,856.0	4,196.0	5,109.0	5,613.0	5,989.5	6,073.7	5,865.2	6,416.0

Source: CEIC, WIND

Property Market in Shaanxi Province

Shaanxi Province is in central China. The table below sets out selected economic statistics for Shaanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	474.4	575.7	731.5	817.0	1,012.3	1,251.2	1,445.4	1,604.5	1,769.0	1,802.2
GDP per capita (CNY)	12,840.0	15,546.0	19,700.0	21,947.0	27,133.0	33,464.0	38,564.0	43,117.0	46,929.0	47,626.0
Year-end registered population (millions)	37.0	37.1	37.2	37.3	37.4	37.4	37.5	37.6	37.8	37.9
Disposable income per capita (CNY)	9,267.7	10,763.3	12,857.9	14,128.8	15,695.2	18,245.2	20,733.9	22,345.9	24,365.8	26,420.2

Source: CEIC

Real estate investments in Shaanxi Province reached approximately CNY249.4 billion in 2015, representing a CAGR of 22.7% since 2006. The GFA of completed residential properties in Shaanxi Province was approximately 13.5 million sq.m. in 2015, representing a CAGR of 7.7% since 2006. Total residential GFA sold in Shaanxi Province in 2015 was approximately 27.2 million sq.m., representing a CAGR of 11.0% since 2006. The average price of residential GFA sold in Shaanxi Province in 2015 was CNY5,082.0 per sq.m., representing a CAGR of 9.2% since 2006. The table below sets out selected statistics relating to the property market in Shaanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	39.5	53.5	76.2	94.4	116.0	141.1	183.6	224.0	242.6	249.4	117.1
GFA of residential properties completed (million square meters)	7.0	8.0	8.1	7.9	8.0	10.0	14.1	12.7	18.6	13.5	7.8
GFA of residential properties sold (million square meters)	10.6	13.8	14.3	20.0	24.7	28.7	25.3	28.3	28.7	27.2	12.0
Sale revenue from residential properties (CNY in billions)	24.3	34.3	40.2	62.1	90.7	135.3	121.6	141.3	136.8	138.1	62.7
Average price of residential properties (CNY)	2,297.1	2,487.4	2,821.0	3,113.0	3,668.0	4,705.3	4,803.0	4,991.5	4,823.0	5,082.0	5,236.1

Source: CEIC, WIND

Property Market in Xi'an

Xi'an is the capital city of Shaanxi Province and an economic and cultural hub in northwestern China. The table below sets out selected economic statistics for Xi'an for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	153.9	185.7	231.8	272.4	324.2	386.3	436.6	488.4	549.3	581.0
GDP per capita (CNY)	18,890.0	22,463.0	27,794.0	32,411.0	38,343.0	45,475.0	51,166.0	56,988.0	63,794.0	N/A ⁽¹⁾
Year-end registered population (millions)	7.5	7.6	7.7	7.8	8.5	8.5	8.6	8.6	8.2	8.2
Disposable income per capita (CNY)	10,905.0	12,662.0	15,207.0	18,963.0	22,243.6	25,981.0	29,982.1	33,100.0	36,100.0	33,188.0

Source: CEIC

Note:

(1) N/A means not applicable

Real estate investments in Xi'an reached approximately CNY183.2 billion in 2015, representing a CAGR of 22.9% since 2006. The GFA of completed residential properties in Xi'an was approximately 7.5 million sq.m. in 2015, representing a CAGR of 9.2% since 2006. Total residential GFA sold in Xi'an in 2015 was approximately 15.8 million sq.m., representing a CAGR of 11.7% since 2006. The average price of residential GFA sold in Xi'an in 2015 was CNY6,220.5 per sq.m., representing a CAGR of 8.2% since 2006. The table below sets out selected statistics relating to the property market in Xi'an for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	28.6	38.7	54.6	69.4	84.2	99.7	128.2	159.6	176.2	183.2
GFA of residential properties completed (million square meters)	3.4	4.2	4.1	4.5	4.1	5.7	9.0	6.6	12.9	7.5
GFA of residential properties sold (million square meters)	5.8	7.8	7.2	12.0	15.2	16.7	13.8	15.2	15.3	15.8
Sale revenue from residential properties (CNY in billions)	17.9	25.2	27.2	45.1	66.1	97.4	85.9	97.6	92.9	98.5
Average price of residential properties (CNY)	3,072.8	3,215.5	3,768.0	3,749.0	4,341.3	5,829.8	6,224.0	6,434.9	6,105.0	6,220.5

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Shanxi Province

Shanxi Province is in central northern China. The table below sets out selected economic statistics for Shanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	487.9	602.4	731.5	735.8	920.1	1,123.8	1,211.3	1,266.5	1,276.1	1,276.6
GDP per capita (CNY)	14,497.0	17,805.0	21,506.0	21,522.0	26,283.0	31,357.0	33,628.0	34,983.8	35,070.0	34,918.7
Year-end registered population (millions)	33.7	33.9	34.1	34.3	35.7	35.9	36.1	36.3	36.5	36.6
Disposable income per capita (CNY)	10,027.7	11,565.0	13,119.1	13,996.6	15,647.7	18,123.9	20,411.7	22,258.2	24,069.4	25,827.7

Source: CEIC

Real estate investments in Shanxi Province reached approximately CNY149.5 billion in 2015, representing a CAGR of 24.5% since 2006. The GFA of completed residential properties in Shanxi Province was approximately 15.7 million sq.m. in 2015, representing a CAGR of 11.5% since 2006. Total residential GFA sold in Shanxi Province in 2015 was approximately 14.8 million sq.m., representing a CAGR of 8.0% since 2006. The average price of residential GFA sold in Shanxi Province in 2015 was CNY4,741.5 per sq.m., representing a CAGR of 11.3% since 2006. The table below sets out selected statistics relating to the property market in Shanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	20.9	25.9	32.7	47.7	59.2	79.0	101.0	130.9	140.4	149.5	55
GFA of residential properties completed (million square meters)	5.9	6.9	7.8	7.4	9.9	18.9	14.4	18.5	17.0	15.7	6.6
GFA of residential properties sold (million square meters)	7.4	8.5	8.9	9.6	10.7	11.7	13.9	14.8	14.3	14.8	6.4
Sale revenue from residential properties (CNY in billions)	13.0	16.9	17.9	24.3	35.2	37.2	51.3	62.5	64.0	70.2	29.2
Average price of residential properties (CNY)	1,805.5	2,052.4	2,253.0	2,552.0	3,338.0	3,231.4	3,690.9	4,211.5	4,462.1	4,741.5	4,570.8

Source: CEIC, WIND

Property Market in Datong

Datong is a prefecture-level city in northern Shanxi Province in northern China with a total area of 14,127 square kilometers, located a few hundred kilometers west from Beijing. As of 31 December 2015, Datong has a registered population of approximately 3.4 million.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	40.6	49.1	57.0	59.6	69.6	84.4	93.1	96.7	100.2	105.3
GDP per capita (CNY)	12,970.0	15,581.0	17,974.0	18,710.0	21,369.0	25,341.0	27,815.0	28,744.0	29,607.0	30,975.0
Year-end registered population (millions)	3.1	3.1	3.1	3.2	3.2	3.3	3.2	3.4	3.4	3.4
Disposable income per capita (CNY)	9,765.0	11,508.0	13,758.0	14,585.0	16,102.6	18,914.9	21,622.0	21,429.9	23,043.0	24,771.0

Source: CEIC

Real estate investments in Datong reached approximately CNY13.9 billion in 2015, representing a CAGR of 23.1% since 2006. Total residential GFA sold in Datong was approximately 1.2 million sq.m., representing a CAGR of 5.0% since 2006. The average price of residential GFA sold in 2015 was CNY4,498.0 per sq.m., representing a CAGR of 9.4% since 2006. The table below sets out selected statistics related to the property market in Datong for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	2.1	2.8	2.7	8.4	9.1	13.4	17.1	26.5	23.7	13.9
GFA of residential properties completed (million square meters)	0.8	1.0	0.7	0.6	0.8	0.9	1.1	1.2	N/A ⁽¹⁾	N/A ⁽¹⁾
GFA of residential properties sold (million square meters)	0.8	0.9	0.7	0.6	0.7	0.9	1.0	1.0	0.7	1.2
Sale revenue from residential properties (CNY in billions)	1.5	1.9	1.4	1.6	2.0	2.8	3.9	3.9	2.9	5.3
Average price of residential properties (CNY)	2,007.0	2,040.0	2,129.0	2,760.0	2,748.0	3,206.3	3,881.4	3,993.4	4,003.9	4,498.0

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Taiyuan

Taiyuan is the capital city of Shanxi Province in northern China. The table below sets out selected economic statistics for Taiyuan for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	101.4	125.5	146.8	154.5	177.8	208.0	231.1	241.3	253.1	273.5
GDP per capita (CNY)	29,504.0	36,377.0	42,378.0	44,319.0	50,225.0	49,292.0	54,440.0	56,547.0	59,023.0	63,483.0
Year-end registered population (millions)	3.5	3.6	3.6	3.7	3.7	3.7	3.7	3.7	4.3	4.3
Disposable income per capita (CNY)	11,741.0	13,745.5	15,230.0	15,606.9	17,257.7	20,148.5	22,587.0	24,000.4	25,768.4	27,727

Source: CEIC

Note:

(1) N/A means not applicable

Real estate investments in Taiyuan reached approximately CNY60.4 billion in 2015, representing a CAGR of 25.1% since 2006. The GFA of completed residential properties in Taiyuan was approximately 3.2 million sq.m. in 2015, representing a CAGR of 11.5% since 2006. Total residential GFA sold in Taiyuan in 2015 was approximately 4.2 million sq.m., representing a CAGR of 14.5% since 2006. The average price of residential GFA sold in Taiyuan in 2015 was CNY7,303.1 per sq.m., representing a CAGR of 9.8% since 2006. The table below sets out selected statistics relating to the property market in Taiyuan for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	8.0	9.5	12.1	16.5	24.1	31.2	36.5	43.0	48.3	60.4
GFA of residential properties completed (million square meters)	1.2	0.9	1.6	1.4	1.1	2.1	2.0	2.1	4.9	3.2
GFA of residential properties sold (million square meters)	1.2	1.5	1.6	1.7	2.4	1.9	3.1	3.7	4.0	4.2
Sale revenue from residential properties (CNY in billions)	3.9	5.3	6.1	7.6	16.6	12.5	19.8	26.0	28.5	30.9
Average price of residential properties (CNY) .	3,156.3	3,560.5	3,743.0	4,499.0	7,088.0	6,517.5	6,404.7	6,667.9	7,155.0	7,303.1

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Hainan Province

Hainan Province is in southern China. The table below sets out selected economic statistics for Hainan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	106.6	125.4	150.3	165.4	206.5	252.3	285.6	317.8	350.1	370.3
GDP per capita (CNY)	12,810.0	14,923.0	17,691.0	19,254.0	23,831.0	28,898.0	32,377.0	35,663.0	38,923.7	40,818.0
Year-end registered population (millions)	8.4	8.5	8.5	8.6	8.7	8.8	8.9	9.0	9.0	9.1
Disposable income per capita (CNY)	9,395.1	10,996.9	12,607.8	13,750.9	15,581.1	18,369.0	20,917.7	22,411.4	24,486.5	26,356.4

Source: CEIC

Real estate investments in Hainan Province reached approximately CNY170.4 billion in 2015, representing a CAGR of 38.8% since 2006. The GFA of completed residential properties in Hainan Province was approximately 9.2 million sq.m. in 2015, representing a CAGR of 28.9% since 2006. Total residential GFA sold in Hainan Province in 2015 was approximately 9.8 million sq.m., representing a CAGR of 19.8% since 2006. The average price of residential GFA sold in Hainan Province in 2015 was CNY9,226.4 per sq.m., representing a CAGR of 10.6% since 2006. The table below sets out selected statistics relating to the property market in Hainan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	8.9	12.8	19.9	28.8	46.8	65.1	88.7	119.7	143.2	170.4	81.0
GFA of residential properties completed (million square meters)	0.9	2.1	2.7	4.0	5.2	4.0	7.3	5.2	10.5	9.2	9.0
GFA of residential properties sold (million square meters)	1.9	3.0	3.6	5.5	8.3	8.2	9.0	11.5	9.4	9.8	7.2
Sale revenue from residential properties (CNY in billions)	6.7	12.2	17.1	34.3	73.4	75.9	70.2	99.7	87.3	90.9	72.3
Average price of residential properties (CNY)	3,734.7	4,094.6	5,441.0	6,291.0	8,800.1	9,083.1	7,811.3	8,633.1	9,262.0	9,226.4	10,002.7

Source: CEIC, WIND

Property Market in Shanghai

Shanghai is one of the four municipalities in China. It is a global city with important influence over commerce, finance, and culture. The table below sets out selected economic statistics for Shanghai for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	1,057.2	1,249.4	1,407.0	1,504.6	1,716.6	1,919.6	2,018.2	2,181.8	2,356.8	2,512.3
GDP per capita (CNY)	54,858.0	62,041.0	66,932.0	69,165.0	76,074.5	82,560.0	85,373.0	90,993.0	97,370.0	103,795.5
Year-end registered population (millions)	19.6	20.6	21.4	22.1	23.0	23.5	23.8	24.1	24.3	24.2
Disposable income per capita (CNY)	20,667.9	23,622.7	26,674.9	28,837.8	31,838.1	36,230.5	40,188.0	43,851.4	48,841.4	52,961.9

Source: CEIC

Real estate investments in Shanghai reached approximately CNY346.9 billion in 2015, representing a CAGR of 11.8% since 2006. The GFA of completed residential properties in Shanghai was approximately 15.9 million sq.m. in 2015, representing a compound annual decrease of 5.7% since 2006. Total residential GFA sold in Shanghai in 2015 was approximately 20.1 million sq.m., representing a compound annual decrease of 2.9% since 2006. The average price of residential GFA sold in Shanghai in 2015 was CNY21,501.1 per sq.m., representing a CAGR of 13.2% since 2006. The table below sets out selected statistics relating to the property market in Shanghai for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	127.6	130.8	136.7	146.4	198.1	217.0	238.1	282.0	320.6	346.9	168.5
GFA of residential properties completed (million square meters)	27.0	27.5	17.6	15.1	14.0	15.5	16.1	14.2	15.4	15.9	6.7
GFA of residential properties sold (million square meters)	26.2	32.8	19.7	29.3	16.9	14.7	15.9	20.2	17.8	20.1	9.3
Sale revenue from residential properties (CNY in billions)	184.1	270.6	160.8	362.0	239.5	198.2	220.9	326.4	292.3	432.0	243.0
Average price of residential properties (CNY)	7,039.0	8,253.0	8,115.0	12,364.0	14,212.8	13,448.4	13,869.9	16,192.2	16,415.5	21,501.1	26,184.1

Source: CEIC, WIND

Property Market in Heilongjiang

Heilongjiang Province is located in Northeast China. It covers a total area of approximately 452,645 square kilometers and had a total population of approximately 38.1 million as of 31 December 2015. The table below sets out selected economic statistics of Heilongjiang Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	621.2	710.4	831.4	858.7	1,036.9	1,258.2	1,369.2	1,445.5	1,503.9	1,508.4
GDP per capita (CNY)	16,255.0	18,580.0	21,740.0	22,447.0	27,076.0	32,819.0	35,711.0	37,697.0	39,226.3	39,461.6
Year-end registered population (millions)	38.2	38.2	38.3	38.3	38.3	38.3	38.3	38.4	38.3	38.1
Disposable income per capita (CNY)	9,182.3	10,245.3	11,581.3	12,566.0	13,856.5	15,696.2	17,759.8	20,848.4	22,609.0	24,202.6

Aggregate real estate investments in Heilongjiang Province reached approximately CNY99.2 billion in 2015, representing a CAGR of 13.3% since 2006. The GFA of completed residential properties in Heilongjiang Province was approximately 21.3 million sq.m. in 2015, representing a CAGR of 7.0% since 2006. Total residential GFA sold in Heilongjiang Province in 2015 was approximately 17.1 million sq.m., representing a CAGR of 3.1% since 2006. The average price of residential GFA sold in Heilongjiang Province in 2015 was CNY4,818.3 per sq.m., representing a CAGR of 10.0% since 2006. The table below sets out selected statistics relating to the property market in Heilongjiang Province for the years indicated.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	1H2016
Real estate investment (CNY in billions)	32.1	38.2	44.0	56.4	84.3	122.8	153.6	160.5	132.4	99.2	28.1
GFA of residential properties completed (million square meters) .	11.5	12.5	11.1	15.6	17.8	24.0	26.5	23.4	23.0	21.3	3.9
GFA of residential properties sold (million square meters)	13.0	15.2	13.0	17.5	23.8	29.1	32.3	29.4	21.3	17.1	5.5
Sale revenue from residential properties (CNY in billions)	26.4	35.8	34.1	53.6	83.0	108.0	120.2	130.6	96.3	82.4	29.6
Average price of residential properties (CNY)	2,035.2	2,354.2	2,642.0	3,067.0	3,492.0	3,682.8	3,725.5	4,435.5	4,517.0	4,818.3	5,367.3

Source: CEIC, WIND

Property Market in Harbin

Harbin is the capital and largest city of Heilongjiang Province in Northeast China, as well as the tenth most populated city in the PRC. Harbin serves as a key political, economic, scientific, cultural and communications hub in Northeast China. The table below sets out selected statistics for Harbin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GDP (CNY in billions)	209.4	243.7	286.8	317.6	366.5	424.2	455.0	501.7	534.0	575.1
GDP per capita (CNY)	21,374.0	24,768.0	29,012.0	32,053.0	36,951.0	42,736.0	45,810.0	50,435.4	53,872.0	59,027.0
Year-end registered population (millions)	9.8	9.9	9.9	9.9	9.9	9.9	9.9	10.0	9.9	9.6
Disposable income per capita (CNY)	11,230.0	12,772.0	14,588.6	15,887.0	17,557.0	20,030.6	22,477.0	25,196.7	28,815.9	30,978.0

Source: CEIC

Real estate investments in Harbin reached approximately CNY58.2 billion in 2015, representing a CAGR of 15.6% since 2006. The GFA of completed residential properties in Harbin was approximately 9.6% million sq.m. in 2015, representing a CAGR of 6.7% since 2006. Total residential GFA sold in Harbin was approximately 7.9 million sq.m. in 2015, representing a CAGR of 3.6% since 2006. The average price of residential GFA sold in 2015 was CNY6,124.3 per sq.m., representing a CAGR of 10.5% since 2006. The table below sets out selected statistics related to the property market in Harbin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Real estate investment (CNY in billions)	15.8	18.7	21.6	27.9	36.1	56.6	77.2	85.0	67.4	58.1
GFA of residential properties completed (million square meters)	5.4	5.0	3.9	4.5	6.4	6.2	9.0	8.5	10.1	9.6
GFA of residential properties sold (million square meters)	5.8	6.7	5.0	6.3	8.1	8.9	10.1	12.1	9.0	7.9
Sale revenue from residential properties (CNY in billions)	14.4	19.7	17.7	26.0	41.9	47.3	51.1	71.0	51.9	N/A ⁽¹⁾
Average price of residential properties (CNY) .	2,502.9	2,942.7	3,515.0	4,146.0	5,196.0	5,216.7	5,112.8	5,884.1	5,750.8	6,124.3

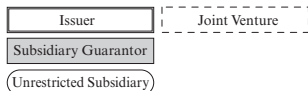
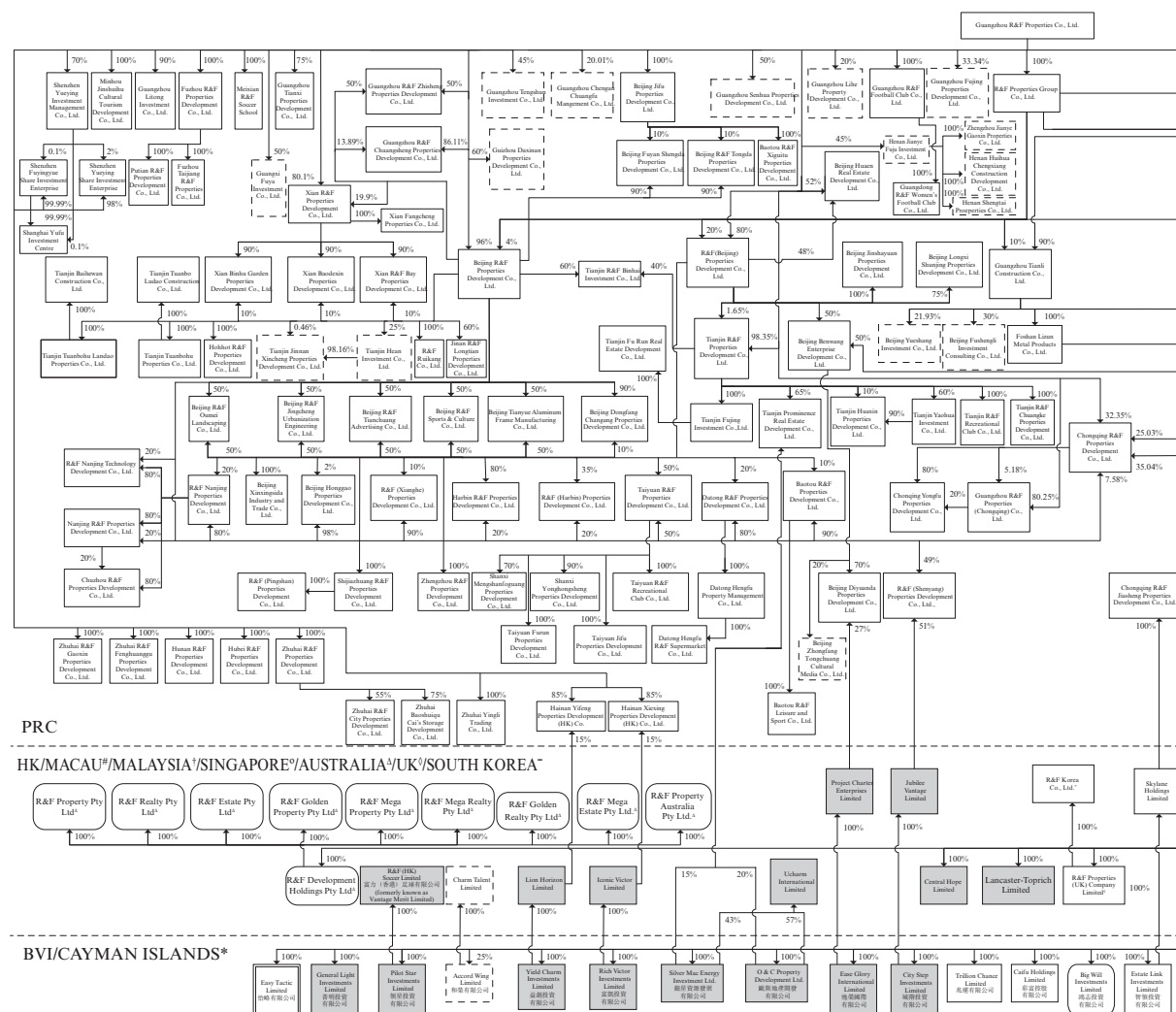
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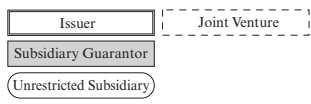
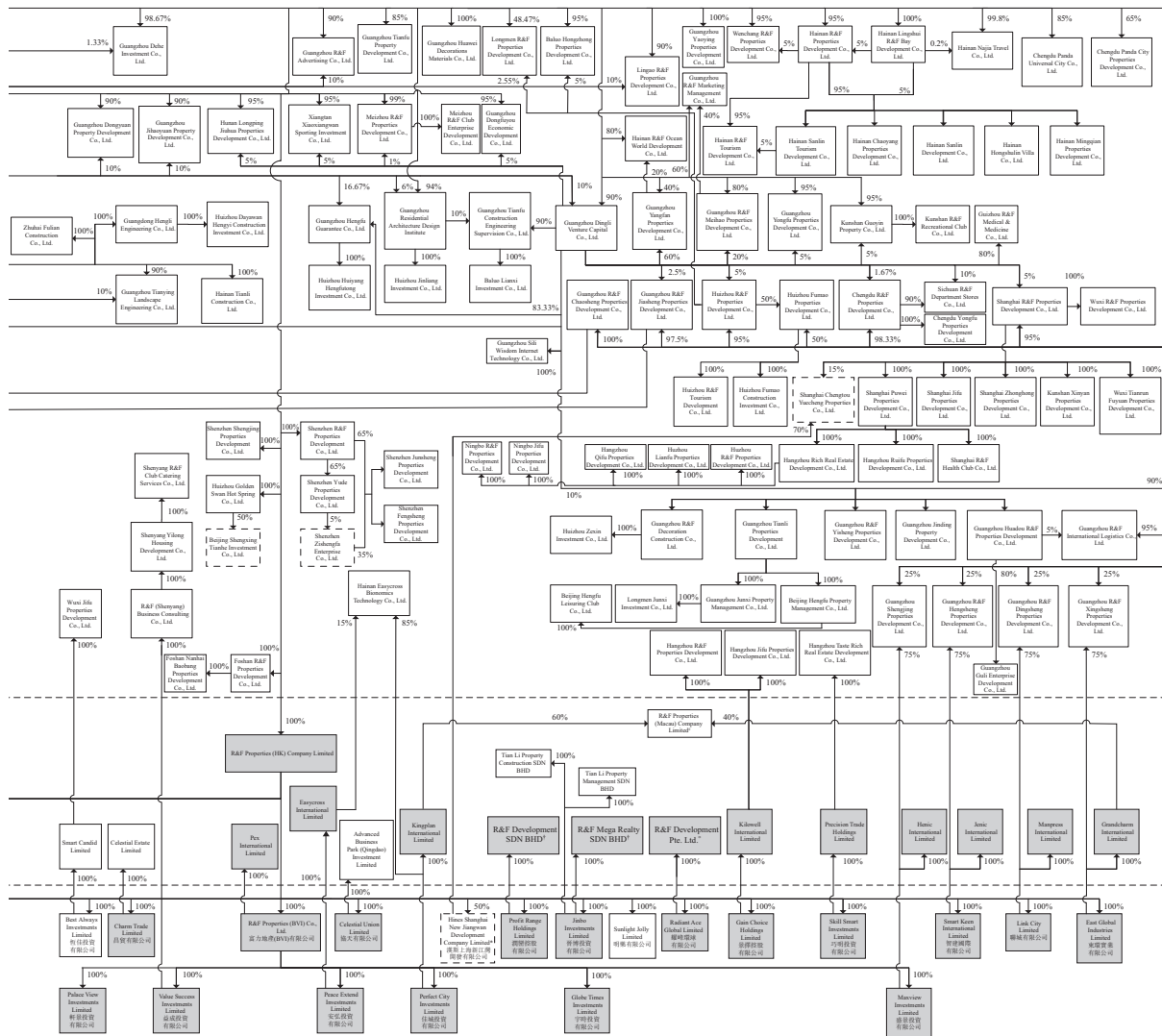
Note:

(1) N/A means not applicable

CORPORATE STRUCTURE

The following structural chart sets forth our corporate structure as of the date of this offering memorandum:





BUSINESS

Overview

We are a leading PRC property developer headquartered in Guangzhou, with an established presence in Beijing and its vicinity, Tianjin, Xi'an, Zhengzhou, Chongqing, Chengdu, Huizhou, Hainan, Shanghai and its vicinity, Taiyuan, Datong, Nanjing and its vicinity, Shenyang, Harbin, Hangzhou and its vicinity, Changsha and its vicinity, Meizhou, Guiyang, Wuxi, Baotou, Foshan, Zhuhai, Nanning, Fuzhou and its vicinity, Shijiazhuang, Shenzhen and Ningbo in the PRC, Johor Bahru in Malaysia and Melbourne and Brisbane in Australia. Founded in 1994, we integrate real estate design, development, engineering supervision, sales, property management, and real estate investment in a single enterprise. We were ranked No. 1 in terms of overall strength among all property developers in China during 2005–2009 by the National Statistics Bureau, and ranked among “China’s Top 10 Listed Real Estate Companies in Terms of Overall Strength” during 2011–2016 by China Real Estate Association and China Real Estate Appraisal. We primarily develop and sell quality private residential properties in Guangzhou, Beijing, Tianjin, and more recently, other Chinese cities. In addition to the development and sale of residential properties, we develop, sell and lease out commercial and office spaces. We currently own four shopping malls and two office buildings. We also engage in the development of hotels. As of the date of this offering memorandum, our hotel portfolio includes 14 hotels managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., Inter Continental Hotels Group and AccorHotels. We believe our investment properties and hotels will help further strengthen our brand name. In addition, we also engage in other ancillary property-related services including property management and property agency services.

We focus on medium- to high-end property developments and target the middle to upper-middle income residents in the cities where we have operations. Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China’s largest cities, capturing the opportunities presented by its rapidly growing economy. Along with the growth of our business in Guangzhou, we have built up sizable land bank in other top-tier cities such as Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou. In June 2016, we entered Shenzhen for the first time. Shenzhen has always been a competitive market given the low supply of land for auction. It is also one of the most mature and developed property markets among China’s tier-I cities. It enjoys the benefits of proximity to Hong Kong, fully developed road and railway infrastructures, a sizeable working class demographic and booming small to medium entrepreneurial businesses run by aspirational entrepreneurs. Having devoted a significant amount of time and resource to understanding the Shenzhen market and exploring the land bank resources available, we acquired an attributable GFA of 248,000 sq.m.. With our entry into Shenzhen market, we plan to focus our business in five key areas: Guangzhou-Shenzhen, Beijing-Tianjin, the Yangtze River Delta, Taiyuan, and Hainan. We have also managed to expand in a prudent manner into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the impact of regulatory measures by leveraging our expertise and resources to diversify our property portfolio.

As of 30 June 2016, we had 161 project developments across different regions in China and Malaysia, including 67 property developments in Guangzhou, 15 in Beijing and its vicinity, ten in Tianjin, two in Xi'an, five in Chongqing, three in Chengdu, five in Huizhou, six in Hainan, four in Shanghai and its vicinity, three in Nanjing and its vicinity, seven in Taiyuan, two in Shenyang, two in Harbin, four in Hangzhou and its vicinity, one in Changsha and its vicinity, one in Meizhou, one in Guiyang, three in Wuxi, one in Datong, one in Baotou, one in Foshan, one in Zhuhai, one in Nanning, three in Fuzhou and its vicinity, two in Zhengzhou, one in Ningbo, two in Shijiazhuang,

two in Shenzhen, one in Johor Bahru, Malaysia, one in Melbourne, Australia and three in Brisbane, Australia. These property developments have an aggregate site area of 42.1 million sq.m. and a GFA of approximately 87.3 million sq.m.

As of 30 June 2016, our total land bank of development properties, calculated by adding GFA under development and GFA held for future development, amounted to approximately 48.2 million sq.m., 42.0 million sq.m. of which was attributable to us. Of our attributable land bank, 6.1%, 4.5%, 10.6% and 10.3% was located Guangzhou, Beijing and its vicinity, Chongqing and Tianjin, respectively. For the year ended 31 December 2015 and the six months ended 30 June 2016, our total saleable GFA delivered amounted to 3.5 million and 1.87 million sq.m., respectively, and our contracted sales GFA amounted to 4.11 million and 2.44 million sq.m., respectively, having a total value of approximately CNY54,397 million (US\$8,185.0 million) and CNY29,790 million (US\$4,482.5 million), respectively.

For the six months ended 30 June 2016, we had acquired seven parcels of land, including two parcels in Shenzhen, with an aggregate planned GFA of approximately 1.5 million sq.m. With respect to such newly acquired land, we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights. These parcels of land included development sites in Shenzhen.

The following table sets forth the geographical distribution of our projects in terms of GFA completed, GFA under development and GFA held for future development as of 30 June 2016:

Region	GFA completed (sq.m.)		GFA Under Development (sq.m.)		GFA Held for Future Development (sq.m.)		Total (sq.m.)	
Southern China . . .	15,887,304	40.7%	4,791,679	32.7%	14,704,772	43.8%	35,383,755	40.6%
Northern China . . .	16,284,405	41.7%	6,505,557	44.4%	10,460,130	31.1%	33,250,093	38.1%
Eastern China	2,342,129	6.0%	2,032,475	13.9%	1,713,788	5.1%	6,088,391	7.0%
Western China	4,508,061	11.6%	654,897	4.5%	4,441,303	13.2%	9,604,261	11.0%
Overseas	0	0.0%	666,189	4.5%	2,263,985	6.7%	2,930,175	3.4%
Total.	<u>39,021,899</u>	<u>100.0%</u>	<u>14,650,798</u>	<u>100.0%</u>	<u>33,583,978</u>	<u>100.0%</u>	<u>87,256,674</u>	<u>100.0%</u>

The following map shows the geographic locations of the major cities where we conduct our property development business.



For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our revenue generated from property development was CNY33,651.2 million, CNY31,651.0 million, CNY40,744.2 million (US\$6,130.7 million) and CNY20,495.4 million (US\$3,083.9 million), respectively.

We also lease out commercial and office properties and parking spaces. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our revenue from leasing activities was CNY727.2 million, CNY827.3 million, CNY857.3 million (US\$129.0 million) and CNY400.1 million (US\$60.2 million), respectively.

We also engage in hotel operations. As of 30 June 2016, we operated 14 hotels spread over Guangzhou, Beijing, Huizhou, Chongqing, Taiyuan, Hainan and Chengdu. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our revenue from hotel operations was CNY900.6 million, CNY1,108.6 million, CNY1,181.2 million (US\$177.7 million) and CNY635.7 million (US\$95.7 million), respectively.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our revenue was CNY36,271.3 million, CNY34,705.4 million, CNY44,290.9 million (US\$6,664.4 million) and CNY22,389.4 million (US\$3,368.9 million), respectively. For the same periods, our net profit was CNY7,645.6 million, CNY6,506.4 million, CNY6,712.3 million (US\$1,010.0 million) and CNY2,424.2 million (US\$364.8 million), respectively.

We intend to build on our position as a leading real estate developer in Guangzhou and a successful developer in Beijing and other cities to increase our market share in these cities. We are also pursuing quality business opportunities in other fast growing cities in China, with a view to establishing a nationwide presence.

Competitive Strengths

Proven track record of steady and organic growth with strong cash flow position

We are one of the first PRC based real estate developers to list their shares on the Hong Kong Stock Exchange. Since 2005, we have experienced steady growth in terms of both assets and profit. We actively monitor and manage our liquidity position by taking into account our capital needs, available cash and financing options. As of 30 June 2016, our cash, time deposits and restricted cash amounted to CNY37,343.2 million (US\$5,619.0 million). We have been primarily relying on internally generated cash through property sales and, to a lesser extent, short-term onshore bank financings to support our business expansion. Since our IPO in 2005, we have executed several debt and equity fund raising transactions through the capital markets, including the follow-on offering of shares in 2006, the 2014 Corporate Bonds issued in 2009, the 2011 Notes issued in 2011 and 2012, the 2020 Notes issued in 2013, the 2019 Notes issued in January 2014, the 2015 Corporate Bonds issued in 2015 and the 2016 Corporate Bonds issued in 2016. As required by the PRC laws and regulations, a real estate developer can only borrow from PRC banks to finance a particular project development after the land premium is paid. As of 30 June 2016, 89% of the land premium for our 65 projects under development and 18 projects held for future development have been fully settled. The remaining 11% of the land premium outstanding amounts to approximately CNY10,400 million (US\$1,564.9 million). As a result, we believe we are better positioned to maintain a strong cash flow position than many of our competitors.

Nationwide property developer with a geographically diversified portfolio of development projects and prudent land acquisition policy

We are one of the largest property developers in the PRC with one of the most geographically diversified portfolios of development projects. Our projects span 28 PRC cities and regions and three oversea cities. As of 30 June 2016, including joint-venture projects, we had a total GFA of 14.6 million sq.m. under development and 33.6 million sq.m. more held for future development. We have also adopted a disciplined approach to land acquisition by undertaking extensive research and planning prior to land acquisition. In particular, we maintain good relationships with local governments and seek opportunities to acquire land at reasonable costs such as through redevelopment of old urban areas, farm property development and primary land development. Over the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, our land cost represented only 16.8%, 16.8%, 23.9% and 21.2% of revenue from property developments, which enables us to maintain stable gross margins of 40.7%, 37.1%, 33.8% and 27.1% over the same period for the property development segment. We believe our low-cost land bank will support our future profitability, allow us to use our working capital more effectively with more commercial flexibility in responding to the changing market condition.

Leading developer mainly focusing on tier-I cities and tier-II cities, and established quality land bank in cities with significant growth potential

We are well recognised in Guangzhou, the provincial capital of Guangdong, as a leading large-scale property developer. As of 30 June 2016, excluding joint-venture projects, we have 10 projects under development in Guangzhou with a total GFA of 1.8 million sq.m., representing approximately 12.0% of our total GFA under development. In addition to Guangzhou and the surrounding Pearl River Delta region, we have established presence in cities such as Beijing and Tianjin. As of 30 June 2016, our attributable land bank in Guangzhou, Beijing and its vicinity and Tianjin amounted to 2.6 million sq.m., 1.9 million sq.m. and 4.3 million sq.m., respectively, representing a combined 20.9% of our total attributable land bank. We have a track record of consistent strong sales in Guangzhou, Beijing and its vicinity and Tianjin.

In addition to the Pearl River Delta region and the Bohai Rim area, we have selectively expanded our presence to key cities in other economically prosperous regions in China, for example, the Chengdu-Chongqing Economic Zone and Yangtze River Delta region. As of 30 June 2016, our land bank in these areas amounted to 4.9 million sq.m. and 3.7 million sq.m., respectively, together representing 20.4% of our total attributable land bank.

We believe we can leverage our accumulated knowledge and experience in property development in the Pearl River Delta region to expand into other regions in China. We believe that our well-established position and operating expertise, together with our prudent expansion strategy, will enable us to further geographically diversify our properties portfolio and enhance our profitability.

Experience in large-scale developments and residential developments, high grade investment properties and luxury hotels

We have a strong capability to develop a wide range of properties, particularly large-scale residential developments and investment properties. Over the past five years, the average size of our projects amounts to over 350,000 sq.m. in terms of GFA. Some of our largest development undertakings measured by total GFA include Chongqing R&F City at 6.4 million sq.m., Guangzhou Asian Games City at 4.6 million sq.m., Xiangjiang R&F City at 3.3 million sq.m., Tianjin Jinnan New Town at 3.2 million sq.m. and Tianjin R&F New Town at 2.8 million sq.m.. We have expertise in running multiple large-scale projects simultaneously and many of our large-scale projects have multiple developmental phases. In 2015, we launched Zhengzhou Wulong New Town with Central China Real Estate and E-House China (“EJU”). We also launched Nanning Fuya Business Park with Agile in the same year. As such, our projects can generate revenue as each phase is completed and there is a shorter delay between the start of a project and revenue recognition.

Our development capability is evidenced by our steady roll out of high-quality residential properties as well as investment properties and hotels. Our portfolio of investment properties includes high-grade office buildings and retail complex such as R&F Center in Guangzhou with high profile, international tenants and Viva R&F Plaza in Beijing, among others. We have established partnership with Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group and AccorHotels to manage our hotel properties. We have hotels operating under luxury brands such as Ritz-Carlton, Park Hyatt, Grand Hyatt, Renaissance, Doubletree and Pullman, among others. Our 14 hotels have generated stable cash flow for multiple years and have limited execution risks.

Ability to attract internationally renowned venture partners including other PRC and Hong Kong developers and leading international hotel managers

Due to our premium product quality, recognised brand name and strong execution capability, many reputable property developers both from the PRC and Hong Kong are willing to cultivate working relationships with us by setting up mutually beneficial joint ventures or other arrangements to enhance our mutual profitability. Our JV partners include, among others, Agile, Central China Real Estate, Country Garden, EJU, KWG, Shimao, Sun Hung Kai Properties and Vanke.

In addition to other property developers, we also have good working relationships with leading international hotel managers. We have an established long-term partnership with Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group and AccorHotels to manage our hotel properties.

Prudent and disciplined expansion

Since our establishment in Guangzhou in 1994, we have selectively expanded into 28 cities in different regions of China, one city in Malaysia and two cities in Australia. Typically we expand into a city only if we expect we will develop at least three projects. Such a strategy allows us to better manage our resources to achieve economies of scale. For each city we expand into, we conduct in-depth market analysis to understand competitive conditions in different localities. We also make substantial marketing efforts to establish and strengthen our brand name. Such a prudent and disciplined expansion strategy enables us to identify trends and levels of local market demand and to plan and design our property developments accordingly to match the preferences of our target customers.

Experienced and stable management team

Our management team has extensive experience in the property sector and related industries as well as expertise in the development and sales of properties in Guangzhou, Beijing and other cities in the PRC. The key members of our management have not changed since our establishment. In particular, Li Sze Lim and Zhang Li, who co-founded our company, have worked with us since we started our property development business in 1994 and, as our executive directors, have accumulated valuable managerial experience.

Business Strategies

Maintain leadership position in key cities while enhancing our presence in other cities and overseas

We intend to maintain our leadership position in key cities, including Guangzhou, Beijing and Tianjin, while further expanding our operations in other cities. We believe that we can continue to leverage our local knowledge and brand recognition in Guangzhou, Beijing and Tianjin to further grow our business in these markets. At the same time, we intend to diversify our revenue portfolio by expanding our existing developments in cities where we already have operations as well as expanding into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to regulatory measures. In addition, we intend to expand our presence overseas. On 30 November 2013, we, through R&F Property Development Sdn Bhd, a wholly owned subsidiary in Malaysia, entered into an agreement with an independent vendor for the acquisition of approximately 96 acres of land in Johor Bahru, State of Johor, Malaysia, on which we plan to use for commercial and residential property development purposes. In 2014, we had acquired four parcels of land in Melbourne and Brisbane Australia with an aggregate planned GFA of approximately 360,000 sq.m., which we plan to use for residential property developments.

Continue to expand our business operations in a prudent manner

We have adopted a disciplined approach to expansion and land acquisition. While we intend to leverage our strong financial position and extensive experience to expand into other regions, we will continue our practice of conducting in-depth market research and analysis before the expansion. We will expand to a location only if we believe that our brand name and expertise in developing high-quality properties coupled with high economic growth in the region will allow us to enhance our profitability and financial condition.

We intend to adhere to our prudent financial management philosophy to maintain our financial strength by managing carefully such key measures as land premium, development cost, cash flows and fixed charge coverage. A critical part of our prudent financial practice is our proactive management of sales to ensure adequate cash flow from our operations to support our ongoing capital commitments. We intend to also remain disciplined in our capital commitments, including land auction bidding and development cost control.

Enhance value of our residential development with investment properties and other operations

We intend to focus on realising increased synergy among our property development, investment properties and hotel operations. We intend to develop high quality hotels and retail properties in and around our large residential communities to enhance the value and attractiveness of our residential developments. This strategy has the added benefits of generating recurring rental revenues and diversifying our income mix. In addition, we also provide property management, consulting and advisory services. We plan to continue to enhance cooperation among our businesses to more efficiently use our resources, to address our customers' needs and to further enhance our brand name.

Focus on geographic locations with attractive growth potentials, including tier-II cities and tier-III cities

We will continue to develop properties in major cities with strong economic growth. We will continue to focus on developing large scale projects that can be developed in phases. In line with our prudent expansion strategy discussed above, we plan to procure more low-cost land in each of the regions in which we operate, but particularly in certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the regulatory measures.

Recent Development

On 5 December 2016, R&F HK entered into the Korean JV Agreement with Caesars, a limited liability company organized under the laws of the State of Delaware, the United States of America, in relation to the formation of the Korean JV to develop, own and operate the Integrated Resort. The Korean JV Agreement contemplates an initial equity contribution by each of R&F HK and Caesars to the Korean JV in the amount of US\$30,500,000 (in cash or other property), subject to the fulfillment of certain conditions. Upon completion of the Initial Closing, each of R&F HK and Caesars will hold a 50% interest in the Korean JV, and the Korean JV will in turn acquire LOCZ Korea Corporation, a company (jusik hoesa) organised under the laws of Korea, from its current shareholders which are third parties not connected with us for the development, construction and operation of the Integrated Resort.

The Agreement contemplates potential further equity contributions by each of R&F HK and Caesars in the amount of up to US\$110,000,000 in cash. These further equity contributions would be made in four tranches. Each tranche would be subject to further conditions. On or prior to the date on which the final tranche of equity contribution is made, R&F HK will be required to further extend to the Korean JV a loan facility of not more than US\$100,000,000. We intend to fund such commitment with our internal resources.

The Korean JV provides an opportunity for us to further enhance our capabilities in the development and operation of entertainment focused integrated resorts in addition to creating a strong foothold in Korea for future real estate development opportunities. We are also able to secure an additional 50,806.3 sq.m. site area of developable land adjacent to the Integrated Resort separately from the Korean JV that will allow us to build residential projects. The additional land designated for residential development is located in a prime location that is expected to generate significant sales and investment return for us.

Details of Our Property Developments

As of 30 June 2016, we had 161 project developments across different regions in China and Malaysia, including 67 property developments in Guangzhou, 15 in Beijing and its vicinity, ten in Tianjin, two in Xi'an, five in Chongqing, three in Chengdu, five in Huizhou, six in Hainan, four in Shanghai and its vicinity, three in Nanjing and its vicinity, seven in Taiyuan, two in Shenyang, two in Harbin, four in Hangzhou and its vicinity, one in Changsha and its vicinity, one in Meizhou, one in Guiyang, three in Wuxi, one in Datong, one in Baotou, one in Foshan, one in Zhuhai, one in Nanning, three in Fuzhou and its vicinity, two in Zhengzhou, one in Ningbo, two in Shijiazhuang, two in Shenzhen, one in Johor Bahru, Malaysia, one in Melbourne, Australia and three in Brisbane, Australia. These property developments have an aggregate site area of 42.1 million sq.m. and a GFA of approximately 87.3 million sq.m.

These property developments are classified into three categories:

- Completed property developments, including property projects for which we have completed the construction of all their constituent buildings;
- Properties under development, including property projects with respect to which we have held our on-site commencement ceremony to start our preparatory work, such as geological survey and project and design planning, despite the fact that we may not have received the relevant construction permit; and
- Properties held for future development, including property projects we plan to develop with respect to which a more detailed development plan is not yet available.

The above classification of properties reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. In general, it takes us approximately 1.5 to 2 years to construct a building or a building complex. Depending on the size of a development and other factors, however, the entire development period may last substantially longer. We also adjust the pace of our property developments to monitor selling prices, sales volume and the level of our land reserves. As a result, we may obtain multiple sets of governmental approvals and permits, including land use rights certificates from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The table below sets forth the GFA information of our 161 projects as of 30 June 2016. Many of our property developments consist of more than one parcel of land and require multiple land use rights certificates during the course of these property developments. Where our application for the land use rights certificate in respect of a parcel of land is still pending and we have not paid the land premium in full, we do not assign any value to the land and the properties on such land for the purpose of this offering memorandum. Our GFA information in this offering memorandum is based on our internal records. Information about our site area in this offering memorandum is based on our land use rights certificates or, if land use rights certificates are not available, based on our land grant contracts or land use rights transfer agreements.

	Property development	Site area (sq.m.)	Total GFA (sq.m.)	Completed		Total Saleable GFA Sold (sq.m.)	GFA Under Development (sq.m.)		Saleable GFA under Development (sq.m.)	Total Saleable GFA Presold (sq.m.)		GFA Held for Future Development (sq.m.)	Interest attributable to us
				GFA (sq.m.)	Saleable GFA (sq.m.)								
1	Guangzhou R&F Garden	8,610	22,188	22,188	19,000	19,000	—	—	—	—	—	—	100%
2	Guangzhou R&F Villa	14,145	48,361	48,361	42,000	42,000	—	—	—	—	—	—	100%
3	Guangzhou R&F Tianxing building	2,132	18,600	18,600	10,000	10,000	—	—	—	—	—	—	100%
4	Guangzhou Tangxia project	2,780	7,700	7,700	6,000	6,000	—	—	—	—	—	—	100%
5	Guangzhou R&F Cout	26,958	101,796	101,796	85,000	85,000	—	—	—	—	—	—	100%
6	Guangzhou R&F Square West	75,179	505,693	505,693	416,000	394,358	—	—	—	—	—	—	100%
7	Guangzhou R&F Square North	7,478	38,333	38,333	31,000	31,000	—	—	—	—	—	—	100%
8	Guangzhou R&F Tianli Court	23,929	94,671	94,671	84,000	84,000	—	—	—	—	—	—	100%
9	Guangzhou R&F Fortune Garden	12,673	99,342	99,342	52,000	43,843	—	—	—	—	—	—	100%
10	Guangzhou R&F King's Court	6,926	48,553	48,553	39,000	38,036	—	—	—	—	—	—	100%
11	Guangzhou R&F Sunny Sky Court	66,612	234,470	234,470	211,000	210,781	—	—	—	—	—	—	100%
12	Guangzhou R&F American Dream Island	51,146	156,721	156,721	132,000	131,775	—	—	—	—	—	—	100%
13	Guangzhou R&F Green River Garden	24,908	87,123	87,123	74,000	70,716	—	—	—	—	—	—	100%
14	Guangzhou R&F Artist Garden	35,340	152,407	152,407	132,000	131,033	—	—	—	—	—	—	100%
15	Guangzhou R&F Aristocratic House Phase I	30,247	179,366	179,366	146,000	145,830	—	—	—	—	—	—	100%
16	Guangzhou R&F Tyoon Place	19,223	94,483	94,483	82,000	81,964	—	—	—	—	—	—	100%
17	Guangzhou R&F Eastern Dynasty	21,241	182,220	182,220	155,000	154,488	—	—	—	—	—	—	100%
18	Guangzhou R&F Modern Plaza	73,872	256,245	256,245	190,000	153,668	—	—	—	—	—	—	100%
19	Guangzhou R&F Science Center	6,072	60,428	60,428	42,000	38,976	—	—	—	—	—	—	100%
20	Guangzhou R&F Aristocratic House Phase 2	8,639	88,343	88,343	77,000	75,123	—	—	—	—	—	—	100%
21	Guangzhou R&F West Garden	38,213	185,207	185,207	185,207	183,604	—	—	—	—	—	—	100%
22	Guangzhou R&F Peach Garden I	117,027	427,794	427,794	427,794	426,673	—	—	—	—	—	—	85%
23	Guangzhou R&F Cairnhill Garden	3,669	26,456	26,456	23,000	22,902	—	—	—	—	—	—	100%
24	Guangzhou R&F Oasis Court	4,010	26,802	26,802	24,000	23,886	—	—	—	—	—	—	100%
25	Guangzhou R&F Edinburgh International Apartment	5,856	52,103	52,103	39,000	37,692	—	—	—	—	—	—	100%
26	Guangzhou R&F Ying Long Plaza	8,985	114,256	114,256	90,000	84,766	—	—	—	—	—	—	100%
27	Guangzhou R&F Peninsula Garden	135,536	560,184	560,184	560,184	551,927	—	—	—	—	—	—	100%
28	Guangzhou R&F Tianhe Prosperous Place	21,149	129,764	129,764	107,000	102,654	—	—	—	—	—	—	100%
29	Guangzhou R&F Yingli Building	9,082	93,567	93,567	63,000	57,375	—	—	—	—	—	—	100%
30	Guangzhou R&F Center	8,117	162,605	162,605	121,000	—	—	—	—	—	—	—	100%
31	Guangzhou R&F Shengyue Court	14,478	109,587	109,587	109,000	107,742	—	—	—	—	—	—	100%
32	Guangzhou R&F Grand Hyatt Hotel and office	10,291	114,498	114,498	78,000	30,113	—	—	—	—	—	—	100%
33	Guangzhou R&F Ritz-Carlton Hotel	6,895	104,322	104,322	76,000	—	—	—	—	—	—	—	100%
34	Guangzhou R&F Modern Plaza 2	15,634	36,732	36,732	32,000	31,454	—	—	—	—	—	—	100%
35	Guangzhou R&F Jubilee Garden	32,682	182,640	182,640	155,108	155,108	—	—	—	—	—	—	100%
36	Guangzhou R&F Yingtai Plaza	14,390	134,019	134,019	101,000	94,727	—	—	—	—	—	—	100%
37	Guangzhou R&F Square South	27,397	122,387	122,387	83,232	83,232	—	—	—	—	—	—	100%

	Property development	Site area (sq.m.)	Total GFA (sq.m.)	Completed		Completed Saleable		Total Saleable GFA Sold (sq.m.)	GFA Under Development (sq.m.)	Saleable GFA under Development (sq.m.)	Total Saleable GFA Presold (sq.m.)	GFA Held for Future Development (sq.m.)	Interest attributable to us
				GFA (sq.m.)	Saleable GFA (sq.m.)	GFA (sq.m.)	Saleable GFA (sq.m.)						
38	Guangzhou R&F Peach Garden 2	137,468	552,167	552,167	428,000	421,813	—	—	—	—	—	—	100%
39	Guangzhou R&F Cambridge Court	36,345	190,454	190,454	190,000	186,880	—	—	—	—	—	—	100%
40	Guangzhou Yingfeng Plaza	8,328	83,138	83,138	71,000	65,530	—	—	—	—	—	—	100%
41	Guangzhou Golden Jubilee Garden	13,352	164,551	164,551	125,065	125,065	—	—	—	—	—	—	100%
42	Guangzhou Yingxin Plaza	7,880	121,499	121,499	94,241	94,241	—	—	—	—	—	—	100%
43	Guangzhou R&F City	227,429	569,000	569,000	475,000	463,979	—	—	—	—	—	—	100%
44	Guangzhou R&F Junhu Palace	38,358	146,459	146,459	116,550	116,550	—	—	—	—	—	—	100%
45	Guangazhou R&F Garden Pearl River Park View (formerly R&F Ying Zun Plaza)	13,182	169,867	169,867	140,056	140,056	—	—	—	—	—	—	100%
46	Guangzhou R&F International Apartment (formerly R&F Ying Sheng Plaza)	11,523	107,332	107,332	83,251	83,251	—	—	—	—	—	—	100%
47	Guangzhou R&F Ying Kai Plaza (including Park Hyatt Hotel)	7,944	178,170	178,170	145,513	112,096	—	—	—	—	—	—	100%
48	Guangzhou R&F Tangning Garden	71,554	135,068	135,068	92,669	92,267	—	—	—	—	—	—	100%
49	Guangzhou R&F Ying Tong Plaza (B1-3)	7,008	120,088	120,088	91,495	86,336	—	—	—	—	—	—	100%
50	Guangzhou Tianxi Garden	19,246	94,359	94,359	64,644	64,644	—	—	—	—	—	—	100%
51	Guangzhou Haizhu City (formerly Tianyu Center)	18,816	137,216	137,216	101,992	53,710	—	—	—	—	—	—	100%
52	Guangzhou R&F Ying Yao Plaza	7,918	153,221	153,221	111,909	95,047	—	—	—	—	—	—	100%
53	Guangzhou R&F Spring Village	808,018	745,844	745,844	503,238	492,420	—	—	—	—	—	—	100%
54	Guangzhou Nansha Tangning (Jinsha street project)	99,641	274,061	274,061	191,996	100,269	—	—	—	—	—	—	100%
55	Guangzhou R&F Jingang City (including Jingu Industry Park and Holiday Inn Airport Hotel Guangzhou)	1,119,211	1,935,179	1,380,457	1,380,457	888,584	78,483	78,483	—	—	476,239	—	100%
56	Guangzhou Liede Project (including Conrad Hotel)	114,176	526,134	207,358	203,761	170,319	162,630	148,449	45,034	156,145	33%	—	33%
57	Guangzhou R&F Jinyu Garden (Jinshazhou Project)	101,355	59,705	—	—	—	47,998	41,673	—	11,707	—	—	100%
58	Guangzhou Huadu Huawei Co. Project	142,571	187,299	—	—	—	—	—	—	187,299	—	—	100%
59	Guangzhou Asian Games City	2,639,520	4,648,674	1,584,058	1,257,527	1,056,080	880,817	496,887	86,650	2,183,799	20%	—	20%
60	Guangzhou R&F Dongshan Xintiandi	44,288	372,908	269,764	177,301	159,318	103,144	70,916	48,512	—	—	—	100%
61	Guangzhou Nansha Tianhaiwan (Senhua Project)	83,222	304,793	245,875	174,104	840	58,918	53,895	3,506	—	—	—	50%
62	Guangzhou Peninsula No. 1 (Xingangdong Project)	16,235	32,926	—	—	—	32,926	18,917	—	—	—	—	100%
63	Guangzhou Vanke Yunqi (Chebeibei Project)	13,200	49,236	—	—	—	49,236	46,733	40,485	—	—	—	75%
64	Guangzhou Baogang Road Project	4,031	43,400	—	—	—	—	—	—	43,400	—	—	100%
65	Guangzhou Guangfa Security Project	6,463	157,990	—	—	—	156,509	106,953	—	1,481	—	—	40%
66	Guangzhou R&F Yuexi (Bigangcun Project)	36,579	191,014	—	—	—	191,014	137,647	—	—	—	—	100%
67	Guangzhou Huadu Shiling Project	198,668	695,800	—	—	—	—	—	—	—	—	—	80%
68	Shenzhen Xiailiang Project	35,266	144,032	—	—	—	—	—	—	—	—	—	65%
69	Shenzhen Bainikeng Project	97,211	534,662	—	—	—	—	—	—	—	—	—	65%
70	Foshan R&F Plaza (Renmin Bridge Project)	51,304	295,527	169,778	123,299	96,234	125,749	98,926	72,081	—	—	—	100%

	Property development	Site area (sq.m.)	Total GFA (sq.m.)	Completed		Total		Saleable GFA under Development (sq.m.)	Total Saleable GFA Presold (sq.m.)	GFA Held for Future Development (sq.m.)	Interest attributable to us
				Completed GFA (sq.m.)	Saleable GFA (sq.m.)	GFA Sold (sq.m.)	GFA Under Development (sq.m.)				
71	Zhuhai R&F Center (Hengqin Project)	11,466	134,529	—	—	—	134,529	100,000	47,236	—	100%
72	Huizhou R&F Ligang Center (including Renaissance Hotel)	47,936	293,255	293,255	293,255	293,255	—	—	—	—	100%
73	Huizhou R&F Hot Spring Valley (including Hilton Huizhou Longmen Resort)	1,630,681	1,559,114	491,155	407,839	335,823	569,106	413,798	27,172	498,853	100%
74	Huizhou R&F Bay Shore (including Doubletree Resort by Hilton)	1,318,673	2,000,983	199,143	186,378	185,046	320,051	259,004	75,192	1,481,789	100%
75	Huizhou R&F Morden Plaza (Boluo Project)	79,167	402,190	320,363	252,057	213,563	—	—	—	81,827	100%
76	Huizhou R&F Huilin Hot Spring Village	698,012	100,920	—	—	—	—	—	—	100,920	100%
77	Meizhou R&F City	830,467	2,074,896	519,013	515,810	502,537	589,266	395,453	153,034	966,618	100%
78	Hainan R&F Yingxi Valley	453,000	146,412	146,412	134,944	118,096	—	—	—	—	100%
79	Hainan R&F Bay Shore (including Marriott hotel)	1,702,993	859,960	441,162	394,470	319,651	131,658	129,939	21,885	287,140	100%
80	Hainan R&F Mangrove Bay (including Doubletree Resort by Hilton Haikou-Chengmai)	4,352,042	2,562,081	380,571	354,607	271,794	390,105	326,106	111,891	1,791,405	100%
81	Hainan R&F Moon Bay Shore	277,160	139,053	69,690	62,321	18,066	27,558	17,901	—	41,805	100%
82	Hainan R&F International Health City (Lingao Project)	586,240	531,920	—	—	—	—	—	—	531,920	100%
83	Hainan R&F Ocean Park	1,017,022	309,429	—	—	—	—	—	—	309,429	100%
84	Xiangjiang R&F City (Xiangnan Jinhua Project)	1,325,817	3,298,639	—	—	—	44,003	34,842	—	3,254,636	100%
85	Fuzhou R&F Center (Taijiang District Project)	69,817	374,309	166,790	132,362	102,712	207,519	167,226	29,411	—	100%
86	Fuzhou R&F City (Jinshuihu Project)	147,631	262,065	—	—	—	—	—	—	262,065	100%
87	Putian R&F Shangyue Court	132,000	563,600	—	—	—	189,500	144,500	—	374,100	100%
88	Nanning Fuya Business Park (Wuxiang New District Project)	78,721	588,661	—	—	—	300,960	210,850	26,863	287,701	50%
89	Chongqing R&F Modern Plaza	78,404	290,694	290,694	230,000	218,085	—	—	—	—	100%
90	Chongqing R&F Ocean Plaza (including Hyatt Regency Hotel Chongqing)	39,078	299,711	299,711	255,380	249,202	—	—	—	—	100%
91	Chongqing R&F City (including Holiday Inn Chongqing University Town)	1,981,995	6,426,895	2,409,385	1,819,956	1,545,528	209,249	161,372	78,265	3,808,261	100%
92	Chongqing R&F Nanshan Mansion	79,583	30,978	—	—	—	—	—	—	30,978	100%
93	Chongqing R&F Bay Shore (Yubei Project)	173,630	434,972	23,368	14,242	925	57,146	37,376	7,255	354,458	100%
94	Chengdu Panda City Phase I (including R&F Plaza and Ritz-Carlton Hotel)	29,472	316,758	316,758	216,060	8,475	—	—	—	—	100%
95	Chengdu R&F Center (Panda City Phase II)	16,177	361,748	361,748	226,808	102,850	—	—	—	—	100%
96	Chengdu R&F Peach Garden	186,650	1,113,219	713,501	618,174	596,082	161,542	117,393	47,369	238,176	100%
97	Guiyang R&F Center (Chengxin Road Project)	99,272	329,286	92,896	77,552	38,755	226,960	164,878	17,751	9,430	60%
98	Shanghai R&F Peach Garden	231,983	227,348	227,348	223,081	223,081	—	—	—	—	100%
99	Shanghai R&F Bay Shore	921,333	483,372	445,432	408,620	311,000	35,898	28,411	23,295	2,042	100%

	Property development	Site area (sq.m.)	Total GFA (sq.m.)	Completed		Completed		Total Saleable GFA Sold (sq.m.)	Saleable GFA under Development (sq.m.)	Total Saleable GFA Presold (sq.m.)	GFA Held for Future Development (sq.m.)	Interest attributable to us
				GFA (sq.m.)	Saleable GFA (sq.m.)	GFA (sq.m.)	Saleable GFA (sq.m.)					
100	Shanghai Jiayuan (including Hyatt Place)	142,664	460,285	367,909	198,006	126,143	51,910	41,853	11,182	40,466	50%	
101	Shanghai R&F Hongqiao No. 10	106,318	410,419	130,368	90,105	47,310	280,051	153,660	1,001	—	100%	
	Shanghai R&F Hongqiao CBD (including Ritz-Carlton and AC Hotel)	46,095	169,991	—	—	—	169,991	149,127	—	—	100%	
102	Nanjing R&F City	571,864	601,614	450,853	358,412	261,693	—	—	—	150,761	100%	
103	Nanjing R&F Shangyue Court	105,021	488,444	139,954	107,682	96,579	182,924	109,878	77,072	165,566	100%	
104	Chuzhou R&F New Town	385,387	770,774	—	—	—	18,850	11,460	—	751,924	100%	
105	Hangzhou Xixi Resident	204,302	366,619	366,619	273,785	190,082	—	—	—	—	100%	
106	Hangzhou Xinxian Park	—	109,369	—	—	—	109,369	79,369	—	—	100%	
107	Hangzhou R&F No. 10	58,280	219,059	—	—	—	218,369	159,290	56,266	690	100%	
108	Huzhou R&F City	197,762	461,744	—	—	—	335,193	260,472	155,375	126,551	100%	
109	Ningbo R&F Cambridge Court	101,163	365,437	—	—	—	—	—	—	365,437	100%	
110	Wuxi R&F No. 10	111,261	239,648	74,892	69,998	55,577	164,756	129,128	36,523	0	100%	
111	Wuxi R&F City	235,669	538,880	138,754	118,346	93,486	289,775	158,079	109,051	110,351	100%	
112	Wuxi R&F Peach Garden (Wuxi New District Project)	53,178	175,388	—	—	—	175,388	131,574	67,286	—	100%	
113	Beijing R&F City	394,431	1,520,112	1,520,112	1,226,427	1,223,927	—	—	—	—	100%	
114	Beijing R&F Edinburgh Apartment	20,395	174,631	174,631	135,000	135,000	—	—	—	—	100%	
115	Beijing R&F American Dream Island	87,170	264,211	264,211	251,106	232,569	—	—	—	—	100%	
116	Beijing R&F Xinran Court/Plaza (including Express by Holiday Inn Temple of Heaven Beijing)	51,009	260,875	260,875	221,802	221,206	—	—	—	—	100%	
117	Beijing R&F Festival City	341,249	944,432	944,432	898,448	898,448	—	—	—	—	100%	
118	Beijing R&F Bay Shore	226,805	150,456	150,456	150,456	149,526	—	—	—	—	100%	
119	Beijing R&F Peach Garden	125,750	351,968	351,968	334,667	334,367	—	—	—	—	100%	
120	Beijing R&F No. 10	32,300	81,726	81,726	81,726	78,526	—	—	—	—	100%	
121	Beijing R&F Shangyue Court	140,872	399,200	399,200	319,306	303,518	—	—	—	—	100%	
122	Beijing R&F Shengyue Court (Yizhuang Old Donggong Project)	88,911	189,590	189,590	189,590	189,291	—	—	—	—	100%	
123	Beijing R&F Danish Town	746,202	646,676	646,676	618,741	612,841	—	—	—	—	100%	
124	Beijing R&F Golden Jubilee Garden	73,050	182,037	156,696	141,703	140,903	25,341	2,431	—	—	100%	
125	Beijing Tongzhou R&F Center	69,796	465,800	—	—	—	353,306	263,833	148,008	112,494	100%	
126	Beijing R&F Huilian Meiju	195,800	756,127	517,895	482,176	471,137	202,179	128,860	123,302	36,053	100%	
127	Beijing R&F New Town	932,994	2,412,606	1,259,158	1,006,120	888,397	790,502	584,309	399,397	362,946	100%	
128	Shijiazhuang R&F Health City (Pingshan Project)	433,908	498,990	—	—	—	—	—	—	498,990	100%	
129	Shijiazhuang R&F City (Nandou Project)	70,630	293,368	—	—	—	—	—	—	293,368	100%	
130	Tianjin R&F Bay Shore	101,355	261,658	261,658	248,601	247,867	—	—	—	—	100%	
131	Tianjin R&F Center	9,588	180,217	180,217	150,902	128,102	—	—	—	—	100%	
132	Tianjin R&F Peach Garden	166,400	411,674	411,674	411,674	409,074	—	—	—	—	100%	

	Property development	Site area (sq.m.)	Total GFA (sq.m.)	Completed		Total		GFA Under Development (sq.m.)	Saleable GFA under Development (sq.m.)	Total		GFA Held for Future Development (sq.m.)	Interest attributable to us
				Completed GFA (sq.m.)	Saleable GFA (sq.m.)	GFA Sold (sq.m.)	Saleable GFA (sq.m.)			GFA Presold (sq.m.)	Saleable GFA (sq.m.)		
133	Tianjin R&F City (including Commercial Complex)	180,692	928,229	870,441	828,250	762,713	—	56,401	38,110	—	—	1,387	100%
134	Tianjin R&F Jinmen Lake	930,932	1,881,467	1,446,293	1,248,544	1,192,781	—	323,534	152,600	117,127	—	111,640	100%
135	Tianjin R&F Guangdong Building	23,070	398,149	—	—	—	—	398,149	336,199	—	—	—	100%
136	Tianjin Jinan New Town	1,289,227	3,162,020	838,084	683,970	595,872	—	532,846	400,630	1,787	1,791,090	—	25%
137	Tianjin R&F New Town (Tuanbo Lake Project)	1,781,702	2,827,104	185,913	114,010	65,243	—	150,528	104,721	9,193	2,490,663	—	100%
138	Tianjin R&F Shangyue Court	119,493	280,991	107,890	104,920	104,761	—	173,101	124,017	112,775	—	—	100%
139	Tianjin Liulinwai Project	46,666	37,702	—	—	—	—	—	—	—	—	37,702	100%
140	Xian R&F City (including R&F Holiday Inn Xian)	381,814	1,125,610	1,075,610	975,847	970,748	—	—	—	—	—	50,000	100%
141	Xian R&F Bailuan	139,375	411,643	112,210	105,450	22,366	—	60,855	34,130	—	—	238,578	100%
142	Taiyuan R&F Modern Plaza	87,022	308,271	308,271	308,271	308,271	—	—	—	—	—	—	100%
143	Taiyuan R&F Peach Garden	195,827	258,213	258,213	244,858	244,716	—	—	—	—	—	—	100%
144	Taiyuan R&F City (including Pullman Hotel)	1,056,200	2,298,676	1,838,858	1,567,395	1,478,661	—	459,818	323,050	322,838	—	—	100%
145	Taiyuan R&F Prosperous Palace (Kuang Ji Project)	237,601	1,037,811	397,723	360,717	341,548	—	271,996	170,073	124,157	368,092	—	100%
146	Taiyuan R&F Xiyue Court (Wufuying Project)	54,660	123,801	37,621	29,923	12,936	—	86,180	46,436	8,457	0	—	90%
147	Taiyuan Mengshan Project	281,806	283,066	—	—	—	—	—	—	—	—	283,066	100%
148	Taiyuan R&F Shangyue Court	37,716	163,000	—	—	—	—	—	—	—	—	163,000	100%
149	Datong R&F City	708,112	2,064,608	231,483	216,996	162,929	—	21,828	—	—	—	1,811,297	100%
150	Harbin R&F Jiangwan New Town (including Ritz-Carlton)	120,574	841,788	215,852	201,551	201,257	—	622,439	491,029	15,072	3,497	—	100%
151	Harbin R&F New City	399,198	845,070	92,822	88,813	52,325	—	153,636	149,953	4,120	598,612	—	100%
152	Shenyang R&F Royal Villa	373,406	199,475	168,289	131,955	95,440	—	—	—	—	—	31,186	100%
153	Shenyang R&F Shangyue Court	96,553	283,027	95,083	89,176	70,155	—	187,944	127,757	40,623	(0)	—	100%
154	Baotou R&F City	426,911	1,488,326	232,574	207,758	194,316	—	340,975	293,220	81,525	914,777	—	100%
155	Zhengzhou Wulong New Town (Wulongkou Project) . . .	94,158	843,000	—	—	—	—	843,000	405,000	181,762	—	—	45%
156	Zhuangzhou Huayunkou Project	94,710	712,692	—	—	—	—	451,000	—	—	261,692	—	45%
157	Malaysia Johor Bahru R&F Princess Cove	400,000	2,570,000	—	—	—	—	666,189	364,642	93,745	1,903,811	—	100%
158	Australia Melbourne Footscray Project	33,288	163,158	—	—	—	—	—	—	—	163,158	—	100%
159	Australia R&F Brisbane No. 1 (Cordelia Street Project) .	4,583	77,501	—	—	—	—	—	—	9,357	77,501	—	100%
160	Australia Brisbane Kangaroo Point Project	3,291	29,516	—	—	—	—	—	—	—	29,516	—	100%
161	Australia Brisbane West End Project	16,800	90,000	—	—	—	—	—	—	—	90,000	—	100%
Total		42,068,219	87,256,674	39,021,899	33,059,692	29,174,106	—	14,650,798	9,933,419	3,269,888	33,583,978	—	

When we have agreed with our project partners in a joint development to respectively own discrete portions of the completed project, we describe the project in this offering memorandum as it relates to our portion only and treat that portion as 100% owned by us.

In some instances, pursuant to our land grant contracts or land use rights transfer agreements, we give our transferors a portion of the eventually developed properties as a means of compensation in connection with the land transfer. Similarly, when our developments involve the resettlement of residents of such properties, we may choose to give these residents a portion of the eventually developed properties as a means of resettlement compensation. Unless otherwise indicated, for the purposes of this offering memorandum, when calculating saleable or leasable GFA, number or area of residential units, area of commercial space or office space and number or area of parking spaces, we do not include the portion of properties given in lieu of monetary compensation or resettlement compensation, as the case may be.

We include in this offering memorandum the project names which we have used to market or intend to use to market our properties. Some of the names for our property developments are pending approvals by the relevant authorities and may be subject to change.

The total saleable GFA listed in the above table includes residential units intended for sale and commercial and office space that may be sold or leased at our choice. We lease some of our properties where we believe that the economic benefits of leasing are likely to exceed that of selling. We also lease properties at flexible terms until we sell them when we expect the sale of the relevant property development will take a considerable period of time.

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for ancillary use properties including parking spaces. The relevant authorities will not issue the formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer and the developer has paid the land premium in full and completed the resettlement process. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

As of 30 June 2016, our total land bank (including investment properties) amounted to approximately 48.2 million sq.m. Our attributable land bank is approximately 42.0 million sq.m., 38.2 million sq.m. of which was saleable.

Location	Approximate GFA (sq.m.)	Approximate Attributable GFA (sq.m.)	Approximate Attributable Saleable GFA (sq.m.)
Investment Properties			
Guangzhou	4,783,000	2,008,000	1,752,000
Shenzhen	679,000	442,000	248,000
Foshan	126,000	126,000	104,000
Zhuhai	135,000	135,000	100,000
Huizhou	2,961,000	2,961,000	2,992,000
Meizhou	1,556,000	1,556,000	1,556,000
Hainan	3,146,000	3,146,000	3,073,000
Changsha and its vicinity	3,299,000	3,299,000	3,299,000
Fuzhou and its vicinity	1,033,000	1,034,000	856,000
Nanning	589,000	294,000	166,000
Chongqing	4,461,000	4,461,000	4,461,000
Chengdu	400,000	400,000	195,000
Guiyang	236,000	142,000	142,000
Shanghai and its vicinity	489,000	452,000	311,000
Nanjing and its vicinity	1,270,000	1,270,000	1,072,000
Hangzhou and its vicinity	790,000	790,000	701,000
Ningbo	365,000	365,000	266,000
Wuxi	740,000	740,000	697,000
Beijing and its vicinity	1,882,000	1,882,000	1,521,000
Shijiazhuang	792,000	792,000	718,000
Tianjin	6,009,000	4,266,000	3,791,000
Xi'an	299,000	299,000	299,000
Taiyuan	1,632,000	1,575,000	1,550,000
Datong	1,833,000	1,833,000	1,833,000
Harbin	1,311,000	1,311,000	1,188,000
Shenyang	219,000	219,000	156,000
Baotou	1,256,000	1,256,000	1,256,000
Zhengzhou	1,556,000	700,000	306,000
Johor Bahru, Malaysia	2,570,000	2,570,000	2,090,000
Melbourne, Australia	163,000	163,000	163,000
Brisbane, Australia	198,000	198,000	198,000
Investment Properties	<u>1,458,000</u>	<u>1,285,000</u>	<u>1,238,000</u>
Total	<u><u>48,236,000</u></u>	<u><u>41,970,000</u></u>	<u><u>38,228,000</u></u>

Our site area information in this offering memorandum is based on our land grant contracts or land use rights transfer agreements. Our GFA information in this offering memorandum is based on our internal records. The commencement dates described in this offering memorandum refer to the dates on which we hold the on-site commencement ceremony for the project. This date may be prior or subsequent to the receipt of the relevant construction permit.

As used in this offering memorandum, the completion date of a property development refers to the completion of the entire development and is determined on the following basis:

- where the construction of all constituent buildings of the property development has been completed, the completion date of that property development is taken to be the date on which the construction is completed; and

- where the construction of all constituent buildings of the property development has not yet been completed, the completion date of that property development represents our Directors' best estimate based on our current development plans.

Investment properties

In addition to the development and sale of residential properties, we develop, manage and lease investment properties. Our portfolio of investment properties includes hotels, commercial and office properties. The table below describes details of the development of our investment properties under the three categories:

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
<i>Completed property developments</i>							
Guangzhou							
R&F Cambridge Terrace Shopping Mall	Dongguan Zhuang Road, Tianhe District	Retail	— ⁽¹⁾	42,993	2007	2009	100%
R&F West Garden Shopping Mall	Huanshi Xi Road, Liwan District	Retail	— ⁽¹⁾	3,570	2001	2003	100%
R&F King's Court	Xiaomei Street, Liwan District	Office	— ⁽¹⁾	9,184	1998	2000	100%
R&F Children World	Zhongshan Eighth Road, Liwan District	Retail	— ⁽¹⁾	16,307	2001	2003	100%
R&F Modern Plaza — Jiaxin Commerical Center	Gexin Road, Haizhu District	Retail	— ⁽¹⁾	29,000	2004	2006	100%
R&F Center	Zone J, Pearl River New Town, Tianhe District	Office	8,117	162,605	2004	2007	100%
Grand Hyatt, Guangzhou	Zone F, Pearl River New Town, Tianhe District	Hotel	10,291	114,498	2004	2008	100%
The Ritz-Carlton, Guangzhou . .	Zone J, Pearl River New Town, Tianhe District	Hotel	6,895	104,322	2004	2008	100%
Holiday Inn Guangzhou Airport Zone	R&F Jingang City, Huadu District	Hotel	14,270	37,826	2004	2014	100%
R&F Haizhu City	Southwest of the Interchange of Jiangnan Xi Road and Jiangnan Avenue, Haizhu District	Commercial	18,000	50,000	2009	2014	100%
Park Hyatt, Guangzhou	Zone J, Pearl River New Town, Tianhe District	Hotel	7,942	34,766	2006	2015	100%
R&F Integrated Logistics Park .	Guangzhou International Airport, Huadu District	Warehouse & Office	— ⁽¹⁾	499,123	2004	2015	100%
Beijing							
Renaissance Beijing Capital Hotel	North of Guangqu Men Wai Street, Chaoyang District	Hotel	43,703	120,349	2004	2008	100%
Viva Beijing R&F Plaza	North of Guangqu Men Wai Street, Chaoyang District	Retail	— ⁽¹⁾	110,636	2004	2008	100%
R&F Center	North of Guangqu Men Wai Street, Chaoyang District	Office	— ⁽¹⁾	59,600	2004	2007	100%
Holiday Inn Express Temple of Heaven Beijing	No.35 Court, Nanwei Road, Xuanwu District	Hotel	6,190	22,302	2006	2008	100%

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
Tianjin							
R&F Plaza	West of East Road, South of North Road Nankai District	Retail	— ⁽¹⁾	42,669	2009	2013	100%
Chongqing							
R&F Ocean Plaza (Retail) . . .	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Retail	— ⁽¹⁾	72,675	2007	2009	100%
Hyatt Regency, Chongqing . . .	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Hotel	16,137	46,439	2009	2012	100%
Holiday Inn Chongqing University Town	Xiyong Unit, Saping Ba District	Hotel	15,515	55,538	2006	2016	100%
Chengdu							
R&F Plaza (former Tianhui Mall)	Shuncheng Street, Qingyang District	Retail	— ⁽¹⁾	254,626	2007	2010	100%
The Ritz-Carlton, Chengdu . . .	Shuncheng Street, Qingyang District	Hotel	— ⁽¹⁾	57,171	2008	2013	100%
Huizhou							
Renaissance Huizhou Hotel . . .	Yanjiang Economic Circle, Jiangbei New District	Hotel	15,000	54,321	2007	2012	100%
Intercontinental Huizhou Resort	Hot Spring Avenue, Hengli Town	Hotel	— ⁽¹⁾	52,000	2015	2015	100%
Taiyuan							
Pullman Taiyuan R&F Hotel . .	Jinan East Road, Xinhualing District	Hotel	10,000	43,477	2007	2015	100%
Hainan							
Doubletree Resort by Hilton, Haikou-Chengmai	Sanlin Exit, Huandao West Line High-way, Chengmai Town	Hotel	36,756	44,502	2008	2015	100%
Marriott Resort & Spa Hainan Xiangshui Bay (North)	Zone B, Xiangshuiwan, Lingshui County	Hotel	19,758	20,992	2006	2016	100%
TOTAL			<u>228,574</u>	<u>2,161,491</u>			
Properties under development							
Guangzhou							
Conrad, Guangzhou	Liede Village, Liede Road, Tianhe District	Hotel	— ⁽¹⁾	39,446	2007	2016	33%
Hainan							
Marriott Resort & Spa Hainan Xiangshui Bay (South) & Yacht Club	Zone B, Xiangshuiwan, Lingshui County	Hotel	50,000	75,837	2012	2015	100%
R&F Ocean Park	International Tourism Island, Lingshui County	Hotel, Travel & Retail	666,667	200,000	2012	pending	100%
Tianjin							
Marriott Hotel, Tianjin	West of East Road, South of North Road, Nankai District	Hotel	23,000	57,788	2013	pending	100%
Huizhou							
Hilton Huizhou Longmen Resort	Maqiao Re Shui Village, Yonghan Town, Longmen County	Hotel	— ⁽¹⁾	45,000	2007	pending	100%
Doubletree Resort by Hilton, Huizhou R&F Bayshore . . .	Dapu Tun, Renshan Town, Rendong County	Hotel	— ⁽¹⁾	47,000	2010	pending	100%

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
Shanghai							
The Ritz-Carlton, Shanghai . . .	Shanghai Hongqiao CBD	Hotel	— ⁽¹⁾	58,000	2014	pending	100%
AC Hotels, Shanghai	Shanghai Hongqiao CBD	Hotel	— ⁽¹⁾	16,000	2014	pending	100%
Hyatt Place, Shanghai	New Jiangwan City, Yangpu District	Hotel	— ⁽¹⁾	17,243	2010	pending	50%
TOTAL			<u>739,667</u>	<u>556,314</u>			
Properties for investment (under planning)							
Harbin							
The Ritz-Carlton, Harbin	Youyi West Road, Daoli District, Harbin	Hotel	— ⁽¹⁾	67,000	2011	pending	100%
Xi'an							
R&F Holiday Inn, Xian	Beihuan Road, Changan District	Hotel	6,880	50,000	2005	pending	3100%
TOTAL			<u>6,880</u>	<u>117,000</u>			

Note:

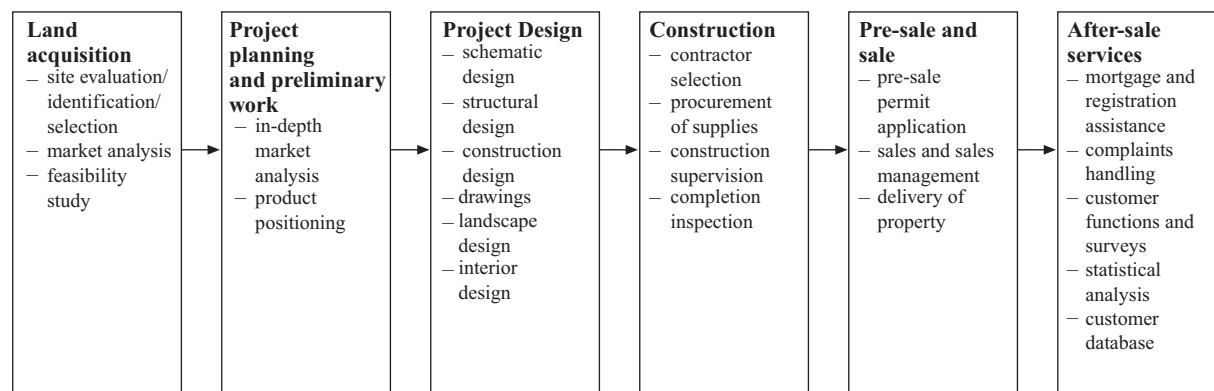
- (1) Figure unavailable as the investment property was developed as part of a larger development project on the relevant land and we do not apportion the site area of such land to the investment property.

Our Operations

Property development

We primarily engage in the development and sale of quality private residential properties to the middle to upper-middle income residents in Guangzhou, Beijing, Tianjin and other cities. According to our internal records, a significant portion of residential units were sold prior to the date of delivery of the relevant properties during the three years ended 31 December 2015 and the six months ended 30 June 2016. We will continue to focus on the property markets where we have existing operations and pursue quality business opportunities in other fast growing Chinese cities.

Although each concept and project development is unique in its own way as it is designed to cater to the preferences of specific target markets, we adopt a systematic operational approach beginning with planning, design and construction to pre-sale and after-sale support. A summary of the stages and elements of our property development process is outlined below.



Site selection. We consider the site selection process to be fundamental to the success of our property development. The scope of our market research and the extent to which we conduct feasibility studies before launching a property development varies, depending on our knowledge and experience in the locality, the nature of the proposed development and the availability of information from other sources. In general, we apply the following criteria in selecting sites for development:

- (i) estimated cost, investment and financial return ratios;
- (ii) consumer demand for properties in that area;
- (iii) amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities);
- (iv) existing infrastructure;
- (v) government development plans for the relevant site and the neighbouring area; and
- (vi) competition from other developments in the locality.

In line with our prudent financial practices, we determine the maximum offer price for a parcel of land based on our cost estimates and target returns before bidding for or negotiating the purchase of the land. Based on our current developments and growth targets, we expect to maintain sufficient land reserves to fulfil our development requirements for a period of three years on a rolling basis. As of 30 June 2016, we have approximately 14.6 million sq.m. of total GFA under development (including joint-venture projects) and our total land bank amounted to approximately 48.2 million sq.m. We continually search for land sites which meet our selection criteria.

Land acquisition. Prior to the introduction by the PRC Government of regulations requiring that land use rights for property development be sold by tender, auction or listing-for-sale, we obtained most of our land use rights from state-owned enterprises and other developers.

The Provisions on the Assignment of State-Owned Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources provide that, from 1 July 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When deciding whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history, qualifications and tender proposal of the tenderor. We believe these measures have resulted in a more transparent land grant process, which has enabled developers to compete more effectively. We have been prudent in our financial management and we endeavor to maintain sufficient cash flows for our operations in addition to land acquisition. We therefore believe that these measures will not have a material adverse effect on our land acquisition strategy and operations. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. In particular, the Guangzhou government allows non-state-controlled grantees to dispose of the land use rights granted to them through private sales, while in Beijing, all previous grantees, including state-controlled enterprises, may dispose of the land use rights granted to them through private sales. Subject to the terms of the land use right grant and relevant registration requirements, we may choose to acquire land from such third parties. The availability of privately held land will, however, remain limited and subject to uncertainties. As of the date of this offering memorandum, in terms of GFA, 66% of our current land bank has been acquired directly from the local governments and approximately 34% has been acquired through private sales in the secondary market. We expect that in the future we will obtain most of our land use rights directly from local land bureaus through tender, auction or listing-for-sale.

On 5 June 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums and real estate developers in Guangzhou may be required to make a lump sum payment for the land premium within a specified period after the acquisition. We believe our financial position and capital sufficiency will enable us to compete for more land at reasonable prices through our prudent financial management.

In September 2007, the Ministry of Land and Resources further promulgated the Provisions on the Assignment of State-Owned Construction Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the “Notice”) on 8 March 2010. According to the Notice, the land provision for

affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70% of the basic land price of the place where the granted land is located and the real estate developers' bid deposit should not be less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but no later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the Ministry of Land and Resources and the MOHURD issued the Notice of the Ministry of Land and Resources and the MOHURD on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders' borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use right; (3) where the land is idling for a period of more than one year due to the enterprises' reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium 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 local 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 added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on 21 September 2010, the grant of two or more bundled parcels of lands or uncleared lands (毛地) is prohibited.

According to the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) promulgated by the Ministry of Land and

Resources and the MOHURD on 19 July 2012, the grant of land shall not exceed the upper limit of prescribed area limit and the plot ratio of the land shall not be less than one. For a more detailed description of the PRC rules and regulations in relation to land acquisition, see the section entitled “Regulation — The Land System of the PRC — Grant”.

Financing of our property developments. We have three main sources of funding for our property developments: internal resources, bank loans and proceeds from pre-sales. Our financing methods vary from project to project. Nevertheless, in order to reduce the level of external funding, our policy is to finance our property developments with internal resources to the extent practicable and pre-sell the development as soon as we meet the regulatory requirements for pre-sale and market conditions allow.

When we obtain bank loans to fund our property developments, the banks will typically require guarantees from us, our affiliates or third parties and/or mortgages over our assets. As of 30 June 2016, our outstanding bank borrowings amounted to CNY40,867.2 million (US\$6,149.2 million), of which CNY34,982.1 million (US\$5,263.7 million) were secured by mortgages on our assets and pledged shares and CNY7.65 (US\$1.15 million) were supported by guarantees from us or certain of our subsidiaries.

Project design and interior design work. Guangzhou Residential Architecture, our wholly owned subsidiary, undertakes most of the project design and interior design work for our property developments, including architectural, engineering and interior design. The design institute has the expertise and experience to cover every design stage of a property development, such as concept design, schematic design, design development and detailed drawings. As of 30 June 2016, we have a dedicated team of more than 993 designers and engineers, which comprises architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and plumbing engineers. In determining the design of a particular property development, the designers and engineers will consider the targeted market segment, the size and surrounding environment of the site, the type of development, and the GFA to site area ratio (commonly known as the plot ratio) determined by the relevant government authorities.

By performing most of our project design and interior design work in-house, we are able to effectively control costs and ensure the quality of our property developments. However, we remain flexible with respect to outsourcing. When we do not have adequate experience or resources in dealing with some types of developments, such as our hotel projects in Pearl River New Town in Guangzhou, we outsource our project design and interior design work in whole or in part to reputable PRC and international architectural and interior design firms through a tender process or private negotiations. Sometimes government agencies, when approving a particular project, may also require multiple design proposals in light of government development plans. In these circumstances, we also invite bids from outside bidders for our design work.

We have procedures in place to ensure the quality of our project design and interior design work. When our own design institute performs the design work, the design products, including detailed design drawings, are subject to scrutiny by different members of our design team. Those designers responsible for the design products participate in our evaluation but will participate only to discuss and implement improvements. With respect to outsourced design work, our design institute, together with our engineering department, is responsible for evaluating and proposing improvements to the design product. Our design institute and engineering department constantly monitor the progress and quality of the design work to ensure that it meets our development requirements and is in compliance with relevant regulations.

Construction work. All of our construction work is outsourced to qualified construction companies. Pursuant to the Tender Law of the People's Republic of China (中華人民共和國招標投標法), effective 1 January 2000, and its implementing regulations, we are required to select construction companies through a tender process for each construction project where the estimated total investment for the project would exceed CNY30 million or where the estimated sum payable under a single property development related contract would exceed CNY2 million. We select most of our construction contractors through this tender process as most of our property developments fall within the above category. Under PRC tender laws and regulations, during the tender process, the minimum tendering prices are determined in accordance with the construction pricing criteria prescribed by provincial or municipal construction authorities and the quality standards for the construction of the main structure of a building are required to satisfy criteria prescribed by the PRC Government. The Tender Law provides for two types of tender process, namely, public tender and tender by invitation. For construction projects that involve state-owned assets, developers are required to use a public tender process. However, as a private developer, following receipt of an approval from the local authority we are allowed to organise the tender by inviting no fewer than three qualified construction companies to submit bids for the construction of a project. A tender assessment committee, no less than two-thirds of which must be made up of government-certified experts, will review the bids and select the construction company based on criteria pre-set by the committee on a case-by-case basis. We are allowed to select up to one-third of the committee members, but for most of our property developments we have selected all the committee members at random from the pool of government-certified experts to take advantage of their expertise. According to the Panel of Experts and the Management of the Experts Database Provisional Measure (評標專家和評標專家庫管理暫行辦法):

- the expert database, which must consist of at least 500 experts, is set up by the PRC provincial governments or tender agent organizations in accordance with the Tender Law;
- the relevant PRC provincial government or tender agent organisation supervises the panel of experts and the expert database;
- the experts in the expert database are required to competently, impartially, honestly and sincerely perform their duties. They are not allowed to initiate contact with the tenderer in private or receive bribery, or benefit in any kind;
- the experts are included in the expert database by way of individual application or recommendation. The experts must be individually assessed by the relevant PRC provincial government or tender agent organisation before they are selected for the expert database and their inclusion in the database is subject to annual review; and
- an expert will receive a warning from the relevant PRC provincial government if he or she breaches his or her duties and is subject to removal from the expert database if the breach is considered serious.

Due to the size of the expert database, there may be occasions that the experts randomly selected from the expert database are related to the developer organising the tender. In practice, however, experts who may not be considered independent of the developer would be excluded from the pool of experts from which the members of the tender assessment committee are selected.

Since the promulgation of the Tender Law, we have selected our construction contractors through the tender by invitation process for most of our property developments. We intend to continue this practice for our future developments.

We enter into construction contracts with construction companies selected from the bidding process based on the terms of the tender documents. The construction contracts contain warranties from the construction companies in respect of quality and timely completion of the construction. We require construction companies to comply with PRC laws and regulations on quality of construction products as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily on the basis of the estimated labour and material costs and fitting requirements and usually are computed on a per sq.m. basis. In the event of delay in construction or unsatisfactory quality of workmanship, we may withhold construction payments or require the construction companies to pay a penalty or provide other remedies under PRC law and our contracts to recover any loss. We have not had any major disputes with any of our construction contractors in 2013, 2014, 2015 and the first half of 2016. Please refer to the section entitled “Business — Legal Proceedings” for more information.

Fitting-out and landscape gardening are performed by independent contractors in accordance with pre-approved design plans. We select our fitting-out contractors and landscaping contractors primarily through an internally organised tender process. Our tender department is responsible for preparing the invitation documents, formulating the tender procedures and inviting candidates to bid for the fitting-out and landscaping work. We have an internal policy that we select our fitting-out or landscaping contractor through a tender process for any fitting-out or landscaping contract that has a contract sum over CNY300,000. In such a tender process, our tender department will invite at least three fitting-out or landscaping companies, as the case may be, to bid for the fitting-out or landscaping work. The tender process generally includes the following steps:

- prepare tender documents;
- announce pre-qualification selection;
- issue invitation documents;
- accept bids from candidates;
- assess the bids, including the proposed design plans;
- notify the winner; and
- sign the contract.

Quality control. We place a strong emphasis on quality control to ensure that the quality of our products and services complies with relevant regulations and meets market standards. We have quality control procedures in place in our different functional departments as well as in each construction supervisory company.

We engage construction supervisory companies to supervise the construction of our property developments pursuant to relevant PRC regulations. These construction supervisory companies are qualified entities specialised in construction supervision. The construction supervisory company engaged for a property development oversees the progress and quality of the construction work from beginning to end. Under our construction supervisory contracts, construction supervisory companies are empowered to inspect, advise and request rectification of any non-compliance, as well as to order suspension of construction in specific circumstances.

We have established internal guidelines and we strictly enforce them to ensure control over documentation, record-keeping, internal audit, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Pre-sale. Under the PRC Law of the Administration of Urban Real Estate (城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), we

- must meet the following conditions before the pre-sale of a particular property can commence:
- the land premium must have been paid in full and the relevant land use rights certificate been obtained;
- the construction planning permit and the construction permit must have been obtained;
- the funds earmarked for the development of a property development must not be less than 25% of the total amount to be invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and
- the pre-sale permit must have been issued.

The Guangdong provincial government requires that the following conditions must be satisfied before it issues the pre-sale permit for a property development:

- the basic foundation work and structural construction must have been completed in respect of properties of seven or fewer stories; or
- at least two-thirds of the main structural construction must have been completed in respect of properties of more than seven stories.

Sales and marketing. Our internal sales and marketing department is responsible for managing our sales and marketing functions. As of 30 June 2016, our sales and marketing team comprised approximately 1,200 employees, all of whom receive regular training from time to time. Our sales managers and our marketing managers cooperate closely to determine appropriate advertising and sales plans for a particular property development. They also work together to plan and organise efficient and orderly on-site sales procedures, conduct market research, design sales and pricing strategies, arrange promotional activities and collect customer data and comments. They also prepare feasibility studies based on market analysis.

As part of our sales and marketing strategy, we advertise in newspapers, magazines, on television, radio and outdoor advertising boards. We also utilise short messaging services, or SMS, and participate in real estate exhibitions to promote our products. We offer discounted sales on selected products during major holidays in China, such as the Labour Day holiday in May and the National Day holiday in October. We provide our existing customers with a quarterly magazine and organise customer events and product exhibitions to improve customer relations and enhance their confidence in our products. In addition, we offer referral rewards to existing customers, such as waiver of property management fees for up to one year. We believe that these measures encourage referrals by our existing customers. According to our estimates, a substantial number of the purchasers of our properties were referred by previous purchasers of our property developments.

We provide shuttle services to potential purchasers who are interested in visiting our property developments. The shuttle buses pick up potential purchasers at designated points and take them to selected property developments, mainly large residential property developments for sale. We also set up on-site sales centres for each of our property developments.

In 2013, 2014, 2015 and the first half of 2016, our sales and marketing efforts have successfully attracted customers from the middle to upper-middle income class, including white collar employees, small business owners and middle to senior management in enterprises. We will continue to target the middle to upper-middle income residents in Guangzhou, Beijing and other Chinese cities in which we currently operate or into which we expect to expand our operations.

Payment and end-user financing. Purchasers may pay for our properties by way of a lump sum payment or payment in installments. If a purchaser chooses to pay by installments, the last installment must generally be made no later than the time of delivery of the property.

We make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In such cases, the guarantee periods may last for up to 36 months, taking into account the approximate one year needed to complete construction and the additional two years for the application for and issuance of the individual property ownership certificates. Guarantees provided for mortgages on some of our commercial and residential properties, however, will not be discharged until the relevant mortgage loan has been paid off. In general, the maximum mortgage terms in respect of residential properties and commercial properties are 30 years and 10 years, respectively, after the mortgage loans have been drawn down. The existing full-term guarantees are expected to be discharged upon the full repayment of the underlying loans. If a purchaser defaults on a mortgage, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any remaining amount outstanding from us.

When a purchaser defaults on a mortgage, we may decide to repurchase the underlying property by paying off the mortgage loan if we believe we can re-sell the property at a profit. In other cases, the mortgagee bank would auction the underlying property and recover any amount outstanding from us if the proceeds from the foreclosure are not sufficient to satisfy the delinquent loan. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. There have not been defaults where we have been called upon to honour our guarantees in the past three years and six months. As of 31 December 2013, 2014 and 2015 and 30 June 2016, our outstanding guarantees over the mortgage loans of our customers amounted to CNY16,424.4 million, CNY18,438.1 million, CNY23,530.0 million (US\$3,540.5 million) and CNY25,781.7 million (US\$3,879.3 million), respectively. For more information relating to the risks associated with our guarantees provided to support our customers, please refer to the section entitled “Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our customers and consequently are liable to the mortgagee banks if our customers default on their mortgage payments” and “— Risks Relating to the Real Estate Industry in Guangzhou, Beijing and Other Cities of the PRC — The terms on which mortgages are available, if at all, may affect our sales” in this offering memorandum.

Delivery of property. We endeavour to deliver quality products to our customers on a timely basis. We closely monitor the progress of construction of our property developments as well as conduct property inspections to ensure timely delivery. Our pre-sale or sale contracts provide for the time frame for delivery. Once a property development has passed the requisite government inspections and is therefore ready for delivery, our customer service staff will notify our customers and hand over keys and possession to the properties.

After-sale services. We provide after-sale services to our customers through different functional departments. Our finance department works with our sales and marketing department to assist our customers in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they offer. Our development centre assists our customers with various title registration procedures relating to the property. Our customer services department organises various customer functions and coordinates with the property management companies to handle customer complaints.

We conduct customer satisfaction surveys on a regular basis and have set up a telephone hotline and an online forum that provide channels of communication between us and our customers. We believe that our aftersale services inspire customer confidence and are effective in enhancing our brand name and in encouraging customers to purchase, or recommend others to purchase, properties we have developed.

Hotel development

We believe the demand for luxury hotels in China will increase as the PRC economy continues to grow. We entered the hotel development business in June 2004, when we began developing two luxury hotels at Pearl River New Town in Guangzhou. The hotels operated under the Ritz-Carlton and Grand Hyatt brands, respectively. As of the date of this offering memorandum, our portfolio of hotels includes 14 hotels consisting of The Ritz-Carlton Guangzhou Hotel and The Residence at the Ritz-Carlton Guangzhou that are considered as one combined hotel unit, Park Hyatt Hotel, Holiday Inn Guangzhou Airport Zone and Grand Hyatt Guangzhou in Guangzhou, Renaissance Beijing Capital Hotel and Holiday Inn Express Temple of Heaven Beijing in Beijing, Pullman Taiyuan R&F Hotel in Taiyuan, Marriot Resort & Spa Hainan Xiang Shui Bay, Doubletree Resort by Hilton and Haikou-Chengmai in Hainan, International Huizhou Resort and Renaissance Huizhou Hotel in Huizhou, Holiday Inn Chongqing University Town and Hyatt Regency Chongqing in Chongqing and Ritz-Carlton Chengdu in Chengdu.

Property management

We engage our own or third party property management companies to manage properties developed by us on behalf of our customers. Services provided by the property management companies include security, equipment maintenance and repairs and organising social functions. After the owner's association of the relevant property is established, the residents may appoint a new property manager following procedures contained in the local regulations.

Most of our property developments in Guangzhou are currently managed by Guangzhou Tianli Properties Development Co., Ltd. Guangzhou Tianli Properties Development Co., Ltd. is our wholly owned subsidiary. We aim to provide superior property management services to our customers. Guangzhou Tianli Properties Development is a Type I property management company, the highest designation awarded by the PRC regulatory authorities to property management companies. Properties in our Beijing R&F City are managed by Beijing Hengfu Property Management, which is also our wholly owned subsidiary.

Property leasing and agency services

We lease out properties when we believe that the economic benefits of leasing are likely to exceed that of selling. Sometimes, we lease out properties before we sell them if we expect the sale of the property development will take a considerable period of time. Most of our leased properties are commercial or office spaces, some including parking spaces.

We lease out our properties through R&F Meihao, our wholly owned subsidiary. R&F Meihao also provides rental agency services and sales agency services in the secondary market in Guangzhou.

Properties Used by Us

We currently use office spaces at R&F Center as our headquarters in Pearl River New Town, Guangzhou's new central business district.

As of 30 June 2016, we rented, through various subsidiaries, 28 premises from independent third parties with a total area of approximately 15,539 sq.m.

Competition

We believe that the property markets in Guangzhou and Beijing are highly fragmented. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including several leading developers from Hong Kong. Some of our competitors target different segments of the PRC real estate market; some engage in other activities in addition to real estate development; and some are focused only regionally or nationally. We believe our closest major competitors include Agile, Shimao and Longfor Properties Co. However, we may not compete directly with them due to different focuses. In addition, our competitors may, however, have more experience and resources than us. For more information on competition, please refer to the section entitled “Risk Factors — Risks Relating to the Real Estate Industry in China — Increasing competition in the property industry in China, particularly in Guangzhou and other cities where we operate may adversely affect our business and financial condition”.

Intellectual Property Rights

We have registered the trademark and service mark of “富力”, “FULI”, “FULI” and “R&F” with the PRC Trademark Office (中華人民共和國工商行政管理總局商標局) under various categories relating to property development, management, construction, construction supervision, maintenance, design, architecture, landscaping and gardening, waste disposal, building materials, property leasing, agency and brokering and many other categories.

We are also the owner of the domain names of “rfchina.com”.

Employees

As of 30 June 2016, we had 19,904 full time employees. The following table provides a breakdown of our employees by business segment as of 30 June 2016:

Property management	8,148
Construction	4,445
Property development	4,334
Clubhouse employees	707
Design	543
Sales and leasing of secondhand housing	574
Engineering	450
Football club employees	224
Decoration	152
Others	327
Total	19,904

Insurance

Real estate developers in China are not required to maintain insurance coverage in respect of their property development operations. We generally do not maintain insurance coverage on our properties developed for sale, neither do we require the construction companies we engage to maintain insurance coverage on properties under construction. In addition, we do not carry insurance against personal injuries that may occur during the construction of our properties except that we purchase accident insurance against personal injuries that may occur to construction workers on behalf of our construction contractors in Beijing. The construction companies, however, are responsible for the quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC law. To ensure construction quality and safety, we require our construction contractors to strictly comply with relevant PRC laws and regulations in respect of construction quality and safety as well as our own standards and specifications. We also engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he is not at fault. Since we have taken the above positive steps to prevent construction accidents and personal injuries, the Directors believe that we will have sufficient evidence to prove that we are not at fault as the property owner in the event that a personal injury claim is brought against us. In addition, according to our construction contracts, any liability that may arise from tortious act committed on work sites will be borne by the construction companies.

We believe our insurance policy is in line with the industry practice in the PRC. However, there are risks that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See the section entitled “Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance” for details.

Environmental and Safety Matters

We are subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, water and waste discharge and other environmental matters. See “Regulations — The Land System of the PRC — Environmental Protection”. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers. The inspection report is presented together with other specified documents to the local construction administration authorities for their record.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See “Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases”.

Legal Proceedings

We are involved in various legal proceedings arising out of the ordinary course of our business, including claims relating to our guarantees for mortgages provided to our purchasers and contract disputes with our purchasers and suppliers. We do not anticipate significant legal costs or legal fees will be required to defend ourselves in these proceedings.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See “Risk Factors — Risks Relating to Our Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result”.

BUSINESS OF R&F HK AND THE ISSUER

R&F HK, a company incorporated under the laws of Hong Kong, is a wholly owned subsidiary of the Company. R&F HK is an investment holding company with no substantial business operation of its own. It principally holds equity interests in subsidiaries engaged in the property development business. R&F HK also holds interests, through its subsidiaries, in certain hotels and investment properties.

R&F HK currently holds 100% interests in four property development projects consisting of Hangzhou Xixiyue Court, Shenyang Xianhu Project, Australia Project and Malaysia Project, and partial interests in six property development projects consisting of 35% of Tianjin R&F Peach Garden, 33% of Hainan R&F Bay Shore, 75% of Guangzhou R&F Ying Kai Plaza, 27% of Beijing R&F Bay Shore, 51% of Shenyang Shangyue Court and 35% of Shanghai Jiayu Bay. The remaining equity interest in the last project is held by third parties. R&F HK also owns, through its subsidiaries, a 75% interest in two hotels: Grand Hyatt, Guangzhou and The Ritz-Carlton, Guangzhou. In addition, R&F HK also owns, through a subsidiary, 75% interest in Guangzhou R&F Center, an office building in Pearl River New Town, a portion of which the Group uses as headquarters. As of 31 December 2013, 2014 and 2015 and 30 June 2016, R&F HK had total assets of CNY23,565.6 million, CNY26,455.7 million, CNY28,326.0 million (US\$4,262.2 million), and CNY30,845.4 million (US\$4,641.3 million) respectively, and total equity of CNY4,335.4 million, CNY3,362.2 million, CNY1,393.5 million (US\$209.7 million) and CNY1,091.0 million (US\$164.2 million), respectively.

The Issuer, Easy Tactic Limited 怡略有限公司, currently has no business or operations other than the issuance of the Notes and other activities in connection therewith. The Issuer is a wholly owned subsidiary of R&F HK.

REGULATIONS

The Land System of the PRC

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas in a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has the right to repossess land in accordance with the law if required for the benefit of the public.

Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

National Legislation

On 12 April 1988, the Constitution of the PRC (中華人民共和國憲法) (the “Constitution”) was amended by the National People’s Congress (全國人民代表大會) to allow for the transfer of land use rights for value. On 29 December 1988, the Land Administration Law of the PRC (中華人民共和國土地管理法) was amended to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-Owned Land in Urban Areas (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 “Urban Land Regulations”) promulgated in 19 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 upon payment of a grant premium.

Under the Urban Land Regulations, 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
Public utilities	50
Others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, 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 thereon will revert to the State without compensation.

The National People's Congress adopted the PRC Property Rights Law (中華人民共和國物權法) on 16 March 2007, which became effective on 1 October 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in real property in some areas, and implement strict protection of cultivated land, the General Office of the State Council (國務院辦公廳) issued 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) on 29 April 2004.

The notice addresses issues including, (i) continuing the rectification of the land market by cooperation between the PRC Ministry of Land and Resources (authorities on problems existing in the grant of state-owned land use right by way of tender, auction and invitation for bidding; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for resuming and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On 26 March 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilising House Prices (關於切實穩定住房價格的通知) to restrain the excessive growth of house prices and promote the sound development of the property market. The notice provided that housing prices should be stabilised and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction issued the Opinions on Stabilising Property Price (關於做好穩定住房價格工作的意見) on 30 April 2005. The opinion stated, amongst the others, that: (i) the local government should focus on increasing the supply of low to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the property market, business taxes would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold, where such units have not obtained the relevant Real Estate Ownership Certificates.

On 24 May 2006, the General Office of the State Council further issued a Notice on the Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of

demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area also must consist of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. On 31 August 2006, the State Council published the Notice by the State Council on Strengthening the Regulation and Control of the Land (關於加強土地調控有關問題的通知), which regulates the management of land in the PRC and also the protection of cultivated land. According to the notice, land designated for industrial purposes shall be granted by way of tender, auction and invitation for bidding, but in any event shall not be sold below the reserve price.

On 30 May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration (當前進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up 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. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

On 30 September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply (關於認真貫徹國務院<關於解決城市低收入家庭住房困難的若干意見>進一步加強土地供應調控的通知), pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at municipality or county level for residential property development for any given year must be used for developing low-to-medium-cost and small-to-medium-size units, low-cost rental properties and affordable housing.

On 3 January 2008, the State Council issued the Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation tax (the "LAT") on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

In order to encourage the consumption of the ordinary residence and support the real estate developer to handle the market change, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見) on 20 December 2008. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from 20 December 2008 to 31 December 2009, business tax is

imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favourable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to “low-to-medium-cost” or “small-to-medium-size” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

On 7 January 2010, the General Office of the State Council issued a Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilise market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On 8 March 2010, the Ministry of Land and Resources promulgated the Notice on Strengthening Real-estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) in order to strictly regulate the transfer of land for commercial buildings. According to this Notice, the area of a parcel of land granted for commodity residential project should be strictly restricted in accordance with the Catalogue of Restricted Use of Land promulgated on 23 May 2012 (2012 Version) (限制用地項目目錄(2012)) and the minimum price of the land transfer shall not be less than 70% of the benchmark price of the place where the land being transferred is located, and the bidding deposit shall not be less than 20% of the minimum transfer price. After land transfer deal is closed, land transfer contract shall be executed within 10 working days therefrom. The first installment of 50% of the land transfer price shall be paid within one month of the execution of the contract and the remaining payment shall be made in time in accordance with the contract, which shall not be later than one year. A system of declaration on commencement and finish of real estate project should be established since 1 April 2010. Property developer should make written declaration to the land and resources authorities when the project commenced or finished.

On 17 April 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (堅決遏制部分城市房價過快上漲的通知) (the “17 April Notice” or the “April 2010 Notice”), which provides that where the first home purchasers (including a borrower, his or her spouse and children under 18) buy a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall not be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The 17 April Notice, further requires that in cities where property prices are overly, high with excessive price hikes and a

strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or more buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one (1) year.

Three authorities, including the MOHURD, the PBOC and the CBRC, jointly released the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知) on 26 May 2010, so as to regulate recognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the notice, the number of houses owned by a family in applications for commercial housing loans for individuals shall be calculated according to number of sets of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plans to purchase a house. The notice also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in writing. The loan applicant shall provide the credit guarantee in writing to prove the actual number of houses owned by his/her family.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Improving Differentiated Housing Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which stipulates that all commercial banks shall suspend issuing housing loans to home buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contribution for more than one year. If a real estate developer has records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time, hoarding land, and other infractions, all commercial banks shall stop issuing loans or providing loan extension services to such real estate developer for its new projects.

On 2 November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loans for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On 4 November 2010, the State Administration of Foreign Exchange and the MOHURD jointly issued the Notice on Further Regulating the Administration of Housing Purchases by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), which indicates that unless otherwise provided for in laws and regulations, an overseas individual may purchase only one self-use house within the territory of China; any overseas institution which sets up a branch or representative office within the territory of China may purchase a non-residence house required for business purposes only in the city where such branch or representative office is registered.

On 26 January 2011, the General Office of the State Council issued the Notice concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知). This Notice, among others, provides that: (i) people selling residential property within five years of their purchase of such residential property will be charged business taxes on the full amount of the sale price of such houses, whether ordinary or non-ordinary; (ii) the minimum down payment for second house purchases is raised from 50% to 60%; (iii) the PRC government will forfeit the land use rights if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and (iv) municipalities directly under the PRC central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of houses that local residents can buy in a specified period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly-built houses and second-hand houses). Sales of properties to (a) local resident families who own two or more houses, (b) non-local resident families who own one or more houses, and (c) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period, shall be suspended in local administrative regions.

In order to implement the Notice concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), on 23 February 2011, the Guangzhou Municipal Government promulgated the Notice on Further Strengthening Control over the Guangzhou Property Market (關於貫徹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的實施意見), which provided, among other things, that (i) the minimum down payment for second house purchases using bank loans or housing reserves is raised to 60% with a minimum lending interest rate of 110% of the benchmark rate; (ii) both local families who have one house only and non-local families who do not own a house in Guangzhou and have paid social insurance or individual income tax for an accumulative 12 months over the last two years in Guangzhou, are allowed to buy one more house; and (iii) (a) local families who already have two or more houses, (b) non-local families who have one house, and (c) non-local families who fail to provide evidence of payment of social insurance or individual income tax for an accumulative 12 months over the last two years in Guangzhou, are suspended from purchasing a new house in Guangzhou. On 15 February 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知), which among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence) and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses). Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing, other cities, including Tianjin, Shanghai, Suzhou, Nanjing, Qingdao, Chengdu and Harbin have also announced their new purchase limit policies which are almost the same as the requirements in the Notice Concerning Further Strengthening the Macroeconomic Control of the Real 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).

On 26 February 2013, the General Office of the State Council promulgated the Notice to Further Enhance the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, that in cities where the housing prices are increasing at an excessively high rate, the local counterparts of the PBOC may further increase the down payment ratio and interest rates for loans to purchase second residential properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased the minimum down payment for purchasers of second residential properties to 70% of the purchase price. See “— Real Estate Loans”.

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him 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.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On 11 June 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to such Regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as 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 the 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. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or invitation for bidding. Furthermore, according to the Provisions on the Regulations on Assignment of State-Owned Construction Land Use Right through Bidding, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) effected from 1 November 2007, which repealed the Assignment of State-Owned Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有土地使用權規定) effected from 1 July 2002, land use rights for properties for industrial use, commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or invitation for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of invitation for bidding, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, 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 land bureau for the issuance of the land use right certificate, and the land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract. According to the Law of the People's Republic of China on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), promulgated by National People's Congress on 5 July 1997 and amended on 30 August 2007, upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

On 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the "Notice") on 8 March 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70% of the basic land price of the place where the granted land is located and the real estate developers' bid deposit should not be less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but not later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the Ministry of Land and Resources and the MOHURD issued the Notice of the Ministry of Land and Resources and the MOHURD on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an

undertaking letter stating that the bid security is not from any bank loan, shareholders' borrowing, on-lending or raised funds, and the credit certificate issued by commercial financial institutions. Where the bidders are found to have conducted any of the following illegal or irregular activities, then the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use rights; (3) where the land is idling for a period of more than one year due to the enterprises' reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium 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 local 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 added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on 21 September 2010, the grant of two or more bundled parcels of lands or uncleared lands (毛地) is prohibited.

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the Ministry of Land and Resources and the MOHURD and effective on 19 July 2012, all local governments shall strictly enforce the macroeconomic policy on real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (1) fail to pay land premium in time; (2) leave the land idle; (3) reserve lands for future development or speculation; (4) commit to a construction scale beyond its actual development capacity; or (5) fail to perform land use contract.

On 6 September 2012, Ministry of Land and Resources promulgated the Notice on Strictly Carrying out Land Use Standards and Vigorously Promoting the Economical and Intensive Use of Land (國土資源部關於嚴格執行土地使用標準大力促進節約集約用地的通知), which provides, among other things, that: (i) if lands for construction are in the Catalogue of Prohibited Land Project, or fail to comply with the requirements in the Catalogue of Restricted Land Project, i.e. fail to comply with industrial project control index requirement in investment intensity, plot ratio, building

coefficient, administrative office and living service area ratio and green ratio, or total area of land of engineering construction projects or area of land of one or several functional partitions exceed land quota control limit, or parcel area and plot ratio fail to meet the residential requirements, then the project shall not apply for land approval, supply and use; (ii) for commercial lands like industrial, commercial, tourism, entertainment, and commercial residential land, which must be granted by tender, auction and listing, municipal and county land and resources departments must state explicitly the control requirement and use standards for such land when formulating land grant plan and land grant documents, implement national regulations and publish the standards to the public.

According to the Provisions on the Economic and Intensive Use of Land (節約集約利用土地規定), which was promulgated by the Ministry of Land and Resources on 22 May 2014 and effective since 1 September 2014, land users and land premium for commercial lands shall be determined by bidding. Land premium for compensable use of land shall not be less than lowest price standard stipulated by the State. Land premium shall not be reduced or relieved in any way, such as exchanging projects with land, returning fees after collecting, granting subsidies or rewards.

Withdrawal of Land

According to the Law of Administration of Urban Real Property (2007 revision) (中華人民共和國城市房地產管理法·2007修訂) (the “Urban Real Property 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 development set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

According to the Measures on Disposal of Idle Land (閑置土地處置辦法), which was promulgated on 28 April 1999 and amended on 22 May 2012, “idle land” refers to the state-owned construction land granted but laying idle because the state-owned construction land use right owner fails to commence development and construction within one year after the commencement date agreed or stipulated in paid-use state-owned construction land use right contract or allocation decision. The following state-owned construction land, where the construction has been suspended for one year, may be deemed as “idle land,” if:

- (i) The construction has been commenced but the constructed land area is less than 1/3 of the total construction area; or
- (ii) The contributed investment amount is less than 25% of the total investment amount.

Where that the land is found as “idle land” after investigation, relevant municipal or county land administrative authorities (the “Land Administrative Authorities”) shall issue an Idle Land Affirmation Notice and implement the disposal of idle land accordingly.

In the event that the delay of construction commencement is caused by governmental behaviour or force majeure, the disposal methods of idle land include, among others, the following:

- (i) extending the time frame for construction commencement. Supplemental agreement shall be entered into and provides a new time frame for construction commencement, completion and default liabilities. The time limit of construction commencement shall not be extended over one year from the date specified in the supplemental agreement;
- (ii) adjusting the land use and planning conditions; land grant procedure shall be re-applied and land premium shall be appraised, collected or refund according to the new land use or planning conditions;
- (iii) arranging temporary use for the idle land by the government. The time frame from temporary use shall not exceed two years after the temporary arrangement;
- (iv) entering into agreement on redeeming the land use right with compensation;
- (v) exchanging the idle land. Where the land premium has been paid, project is fully funded and the idle of land is caused by planning adjustment, the government may exchange the idle land with other state-owned construction land of same value and land use for the state-owned construction land use right owner to develop and construct. If the exchange is related to grant of land, a new land grant contract shall be executed, which specifies the land as exchange land; and
- (vi) other disposal ways stipulated by the Land Administrative Authorities base on actual situation.

Save for the above item (iv), the construction commencement date shall be calculated according to the newly agreed or stipulated time frame.

The Notice on Promoting the Economical and Intensive Use of Land (關於促進節約集約用地的通知) issued by the State Council on 3 January 2008 urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium, as well as for land left idle for more than two years, with such idle land forfeited without compensation.

Transfer

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 are 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 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 in the PRC have different conditions which must be 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 between the parties which must be 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 the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (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) where the investment involves property construction, more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

According to the Property Rights Law (中華人民共和國物權法) adopted by the National People's Congress and implemented on 1 October 2007, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

The State generally will not withdraw a land use right before the expiration of its term of grant and for special reasons (such as in the public interests), it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issuance of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issuance of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) (the "Real Estate Ownership Certificate") to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration Regulations (土地登記規則) (the "Registration Regulations") promulgated by the State Land Administration Bureau (國家土地管理局) on 28 December 1995 and implemented on 1 February 1996, the Land Registration Measures (土地登記辦法) promulgated by the Ministry of Land and Resources on 30 December 2007 and effective on 1

February 2008, and the Building Registration Measures (房屋登記辦法) promulgated by the MOHURD on 15 February 2008 and effective on 1 July 2008, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

On 24 November 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例), effective from 1 March 2015, which provides, among others, the following:

- The real estate authorities shall establish a uniform real estate registration book to record, among others, collective land ownership, ownership of constructions and structures, ownership of forests and woods, construction land use rights, sea use rights and mortgages; and
- The Ministry of Land and Resources shall in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels;

The Ministry of Land and Resources promulgated the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則), effective from 1 January 2016. The implementing rules authorize the real estate registration authority to perform site inspection following the acceptance of an application for real estate registration and set out regulations regarding information management of real estate registration.

Mortgage and Guarantee

The grant of mortgage in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法) (the “Security Law”) promulgated by the Standing Committee of the National People’s Congress on 30 June 1995, the Measures for Administration of Mortgages of Urban Real Estate promulgated by the Ministry of Construction (城市房地產抵押管理辦法) on 9 May 1997, as amended in August 2001, and Property Law (物權法) promulgated by the National People’s Congress on 16 March 2007 and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, quality, status, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage; and (v) other matters as agreed by the parties. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from

the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Leasing

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

On 1 December 2010, the MOHURD issued the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), according to which owners of buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or county level within 30 days after its execution. A contract cannot be longer than the term of the land grant contract. The tenant may, upon obtaining written consent from the landlord, sublease the premises. The parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real estate) authorities of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant construction (real estate) authorities are authorised to impose a fine below CNY1,000 on individuals, and a fine between CNY1,000 and CNY10,000 on other violators who are not natural persons who fail to comply with the regulations within the specified time limit. The above measures came into effect as of 1 February 2011 in replacement of the Measures for Administration of Leasing of Urban Buildings.

According to the Urban Real Property Law, where the owner of a house built on state-owned land leases his/her property and the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

According to the Opinions on Accelerating the Cultivation and Development of Leasing Market (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), promulgated by the General Office of the State Council on 17 May 2016, real estate developers are encouraged to utilize built residential properties or newly built residential properties to carry out leasing business. Such opinions also encourage real estate developers to rent residential properties and to cooperate with residential property leasing enterprises to develop rental properties.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例) promulgated by the State Council on 13 June 2001, the party responsible for resettlement (the “Resettling Party”) should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and gross floor area (the “GFA”). If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the people’s court within three months from the ruling if they contest the ruling. These administration rules have been abolished according to 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) promulgated by the State Council on 21 January 2011.

On 21 January 2011, the State Council promulgated the Regulation on Expropriation and Compensation of Houses on State-Owned Land (國有土地上房屋徵收與補償條例) (the “Expropriation and Compensation Regulation”), which replaced the Administration Rules of Demolition and Removal of Housing in Urban Areas. The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and only governmental authorities can be in charge of resettlement activities; real estate developers are prohibited from being involved in demolition and relocation procedures;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of publishing the notice of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property can apply to the real estate appraisal institution for re-appraisal; and
- (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation work.

The Measures of Expropriation and Evaluation of Properties on State-Owned Land (國有土地上房屋徵收評估辦法), which was promulgated and implemented on 3 June 2011, provides that, among other things:

- (i) the value of the expropriated property is the sum would have been reached by informed and willing parties in arm’s length transaction, excluding factors such as lease, pledge and seizure;

- (ii) The market value of the property for exchanging the expropriated property shall be determined by evaluation. The benchmark date of evaluation of the expropriated property is the date when the property expropriation decision is posted; and
- (iii) The evaluation of expropriated property shall consider location, property use, construction structure, condition, building area, floor area, land use right and other factors that might affect the value of the property. The value of interior decoration, relocation fee for machinery equipments and materials and compensation for halting the production and business shall be determined through negotiation by relevant parties; if the parties fail to reach such an agreement, the value may be determined by evaluation conducted by a real estate evaluation institution appointed by the parties.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. A large tract development project consists of comprehensive development of an area to be suitable for industrial use, leveling of the land and construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area, or construct buildings on the land itself and sell or lease the buildings thereon.

According to the PRC Urban-rural Planning Law (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on 28 October 2007, implemented on 1 January 2008 and amended on 24 April 2015, and the Measures on the Planning of Grant of State-Owned Land Use Rights (國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on 4 December 1992 and implemented on 1 January 1993, real estate developers shall apply for the construction land planning permit from the relevant municipality or county urban-rural planning authority by submitting the contract of grant of state-owned land use rights, the approval and registration certificates after signing the contract of grant of state-owned land use rights. A construction enterprise or individual shall apply for the construction land planning permit at the relevant municipality or county urban-rural planning authority before commencing the construction of buildings, structures, roads, pipes or other construction works. According to the Measures on Permission of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD on 25 June 2014 and effective from 25 October 2014 after obtaining the construction land planning permit real estate developer shall apply for and obtain the construction land works permit at the relevant construction authority of the government above the county level, except for the construction projects with the investment below CNY 300,000 or gross floor area below 300 sq.m. Failure to obtain the construction land works permit for any real property project as required by law will result in prohibition of commencement of the construction work.

A property project developed by a property developer shall comply with the relevant laws and other statutes, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant contract. After completion of works for a project, the property developer shall organise an acceptance examination according to the Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例) promulgated and implemented by State Council on 30 January 2000, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the MOHURD on 2 December 2013, and shall also report details of the acceptance examination according to the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and

Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on 4 April 2000 and as amended on 19 October 2009. A property development project may only be delivered 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.

Establishment of a Real Estate Development Enterprise

According to the PRC Urban Real Estate Law (中華人民共和國城市房地產管理法) (the “Urban Real Estate Law”) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994; implemented on 1 January 1995 and amended on 30 August 2007, the concept of real estate development enterprises refers to the enterprises that conduct the business of real estate development and management for profits. According to the Regulations on Administration of Development and Management of Urban Real Estate (城市房地產開發經營管理條例) (the “Development and Management Regulations”) promulgated by the State Council and implemented on 20 July 1998, a real estate development enterprise must fulfil the following conditions: (1) having registered capital of above CNY 1,000,000; (2) having more than four full time technical staff with the qualification certificates of real estate or construction engineering and more than two full time accountants with the relevant qualification certificates. The Development and Management Regulations also stipulates that the government of provinces, autonomous regions and/or the administrative divisions directly under the Central Government may implement stricter rules on the registered capital of the real estate development enterprise and the conditions of the professional technical staff, depending on the local actual situations.

According to the Development and Management Regulations, establishment of a real estate development enterprise requires an application for registration at the relevant administrative authority of industry and commerce. A real estate development enterprise shall also make a filing with the governmental authority of real estate development within thirty days after obtaining the business licence.

The State Council promulgated the Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets (關於調整和完善固定資產投資項目資本金制度的通知) on 9 September 2015, according to which the minimum capital ratio is 20% for affordable housing and ordinary commodity residential projects, and 25% for other property projects.

Qualifications of a Property Developer

Under the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on 29 March 2000 and amended on 4 May 2015, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Regulations on Administration of Development and Management of Urban Real Estate (城市房地產開發經營管理條例) promulgated on 20 July 1998, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective one year from its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the government of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorised institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Environmental Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例).

Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant

authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Pre-sale and Sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) (the “Administrative Measures”) promulgated on 15 November 1994, implemented on 1 January 1995 and amended on 20 July 2004, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People’s Government at municipality or county level (市、縣人民政府房地產管理部門) and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

- (i) the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;
- (ii) the construction works planning permit and the work commencement permit must have been obtained;
- (iii) funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- (iv) the pre-sale permit must have been obtained through pre-sale registration.

The Ministry of Construction, the National Development and Reform Commission (the “NDRC”) jointly promulgated the Notice on Further Rectifying the Trade Order of Real Estate (關於進一步整頓規範房地產交易秩序的通知) on 6 July 2006. The purpose of this notice is to strengthen the regulation over the pre-selling of real estate. The Notice provides that real estate development enterprises shall sell commodity residential properties within 10 days after obtaining the pre-sale permit. The Notice was abolished by the Announcement of the Ministry of Housing and Urban-Rural Development on Issuing the Results of Inventory and Review of the Rules and Regulatory Documents (關於公布住房和城鄉建設部規範性文件清理結果目錄的公告) on 26 January 2011.

On 13 April 2010, the MOHURD issued the Notice on Further Strengthening on Real Estate Market Supervision and Improvement of the Commercial Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- property developers shall not charge the purchaser earnest or advance money in forms of subscription, order or grant of VIP card in relation to the project for which it has not obtained the pre-sale permits;
- property developers shall disclose all housing that is permitted to be sold at one time and the price of each housing unit within 10 days after obtaining the pre-sale permits;

- pre-sale permits can only be issued to entire buildings, in addition, pre-sale permit shall not be issued to individual floors or units;
- property developers shall conduct commercial housing pre-sale programs and sell the commercial housing in accordance with such programs. The programs shall include basic information on the project, such as construction schedule, number of pre-sale housing, predicted size, the areas of public space and public facilities, sale prices and the range of changes in sale prices and the monitoring system for pre-sale proceeds. The pre-sale programme and all material changes to such programme shall be reported to the relevant authorities for record and be published;
- all pre-sale proceeds shall be deposited into accounts under monitoring to ensure the legitimate use for project construction; and
- property developers shall take primary responsibility for the quality of properties developed, while enterprises in the business of survey, design, construction or supervision shall also take the respective responsibilities accordingly.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

According to the Notice Concerning Further Strengthening the Microeconomic Control of the Real Property Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知) promulgated by the General Office of the State Council on 26 January 2011, the administrative divisions directly under the Central Government, cities specifically designated in the State plan, provincial capital cities and the cities with excessive or rapid rising real estate price shall implement strict measures with housing-purchase limitation for a reasonable period of time. As the general rule, a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment of a certain period is limited to purchasing one house (including new constructed commercial property and second hand property); and, a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that is unable to provide evidence of local tax or social insurance payment of a certain period shall be suspended from purchasing house in the relevant administrative region.

On 16 March 2011, the National Development and Reform Commission promulgated the Regulations on Clearly Marking Price in the Sale of Commodity Houses (商品房屋銷售明碼標價規定), according to which the sale of commodity housing shall mark prices on a per unit basis, and show to the public the collection of handling fees and property management charges. A commodity house operator shall not charge any additional fees other than those clearly marked during the property sale. After the price of a commodity house is clearly marked, the developer may reduce the price or provide discounts, however, any increase in price shall be re-filed with the competent authority for record. These regulations also apply to the selling of second hand property by real estate agents.

According to Notice on Conducting Special Inspections of the Sale of Commodity Houses with Marked Prices (關於開展商品房銷售明碼標價專項檢查的通知) promulgated by the General Office of the National Development and Reform Commission and implemented on 11 May 2011, real estate

developers who failed to mark a price on each unit in accordance with relevant regulations will be imposed a fine of CNY5,000 for each unit sold. If the real estate developers are found to have committed in price fraud, order of correction, confiscation of illegal gains and fine will be imposed; in serious cases, the real estate developers will be ordered to suspend business.

According to the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知) promulgated by MOHURD on 10 October 2016, real estate developers conducting improper operations will be subject to investigation and punishment according to the law. Improper operations include releasing and spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices through fabricating or spreading information on rising housing price, and other operations.

Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction (城市房地產轉讓管理規定) on 7 August 1995, as amended on 15 August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

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

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

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

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be assigned by tender, auction or invitation for bidding under the current PRC laws and regulations.

Real Estate Loans

On 5 June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加強房地產信貸業務管理的通知). According to this Notice, the commercial banks shall focus their business towards supporting real estate projects targeted at medium-to-low-income families and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. The Notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project should not be less than 30% of the total investment of the project. The Notice also prohibits loans advanced for the payment of land premium for land use rights.

On 12 August 2003, the State Council (國務院) published the Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market (國務院關於促進房地產市場持續健康發展的通知), which provides a series of measures to control the property market, including but not limited to increasing the supply of common residential houses, controlling the construction of high-end commodity houses, and strengthening the supervision of the real property administration. The purpose of the Notice is to create a positive influence on the long-term development of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 30 August 2004, commercial banks may not provide any loan in any form for a project without the State-Owned Land Use Rights Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans must have invested at least 35% of the capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the People's Bank of China 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 16 March 2005 and effective from 17 March 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 24 May 2006, the General Office of the State Council issued the Opinion developed by the Ministry of Construction (and relevant authorities) on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格意見). According to the opinion, in order to curtail the rapid rise in property prices, from 1 June 2006, the minimum amount of down

payment for individual housing shall not be less than 30%. However, considering the housing needs of low-and-middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

On 27 September 2007, the PBOC and the CBRC promulgated the Notice on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The notice aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures, among others, include: prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties. In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

On 5 December 2007, the PBOC and the CBRC jointly issued the Supplemental Notice on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his or her spouse and minor children.

On 29 July 2008, the PBOC and the CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (關於金融促進節約集約用地的通知), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

On 22 October 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective 27 October 2008, the float-down range for interest rate for individual mortgage loans is expanded and the ratio of down payments be adjusted. As a result, the minimum interest rate for individual mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

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

On 8 December 2008, the General Office of the State Council promulgated the Opinions on Financially Strengthening the Current Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), which decides to implement and introduce the measures of credit policy to support the residents to purchase the first ordinary self-use house and the house for the purpose of improving the dwelling conditions, increase the credit support for construction of low-rent house, economically affordable house and rebuilding of shanty areas for urban low-income residents, and pilot the real property investment trusts and expand the financing channels for real property enterprises.

According to the Notice on Adjusting the Portion of Capital for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council on 25 May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ratio adjustments whether or not to issue loans to real estate companies.

The General Office of the State Council issued the Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知) on 7 January 2010. The notice reinforces the enforcement of differentiated credit policy. In addition to continuing to support the first-time purchase of common housing with loans, the government strengthens the administration for the second housing bought with loans. It provides that the down payment for the second housing bought with loans shall not be less than 40% of the total price. The interest rate will be adjusted based on risk pricings.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price 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) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-local residents who cannot provide any proof of tax or social insurance payment more than one year.

Three authorities, including the MOHURD, PBOC and CBRC, jointly released the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知) (the “Notice”) on 26 May 2010, so as to regulate cognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the Notice, the number of houses owned by a family for commercial housing loans for individuals shall be calculated according to the number of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plan to purchase a house. The Notice also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in written. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Improving Differentiated Housing Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which stipulates that all commercial banks shall suspend issuing housing loans to home

buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contribution for more than one year.

On 2 November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Regulations of Policies Concerning Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. On 26 January 2011, the State Council issued the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% for second-house purchases with the minimum lending interest rate at 110% of the benchmark rate.

On 26 February 2013, the General Office of the State Council promulgated the Notice to Further Enhance the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, that in cities where the housing prices are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratio and interest rates for loans to purchase second residential properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased minimum down payment for purchasers of second residential properties to 70% of the purchase price.

On 29 September 2014, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知), which stipulates that (i) the minimum mortgage loan interest rate for first-time purchasers of residential property is 70% of the benchmark lending interest rate; (ii) where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (iii) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanisation plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

On 30 March 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice Concerning the Issues of the Policy of Personal Housing Loan (關於個人住房貸款政策有關問題的通知). The notice lowers the minimum down payment to 40% of the property price for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to buy a second residential property to improve its living conditions.

On 27 August 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund (關於調整住房公積金個人住房貸款購房最低首付款比例的通知). The

notice lowers the minimum down payment rate payable by households from 30% to 20% when such households, which own a residential property and have settled the housing loans, apply for loans from the housing provident fund for a second residential property to improve living conditions.

On 1 February 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知). The notice provides that, in cities where restriction on the purchase of residential property is not imposed, the minimum down payment is 25% of the property price for a household applying for personal housing commercial loans to purchase its first ordinary residential property, which may be further decreased by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%.

Property Management

According to the Catalogue of Guidance on Industries for Foreign Investment (“Catalogue of Guidance”) (外商投資產業指導目錄) promulgated by the MOFCOM and the NDRC on 10 March 2015 and effective from 10 April 2015, property management falls within the category of permitted foreign-invested industries.

According to the Regulation on Real Estate Management (物業管理條例) enacted by the State Council on 8 June 2003, amended on 26 August 2007 and on 6 February 2016, the State implements a qualification scheme system in monitoring the real estate management enterprises.

According to the Measures for Administration of Qualifications of Real Estate Management Enterprises (物業管理企業資質管理辦法) enacted by the Ministry of Construction on 17 March 2004 and enforced on 1 May 2004, a newly established real estate management enterprise shall, within 30 days of receiving its business licence, apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a “real estate management qualification certificate” based on assessment. The Ministry of Construction amended the Measures for Administration of Qualifications of Real Estate Management Enterprises on 26 November 2007 and changed its title to Measures for the Administration of Qualifications of Real Estate Service Enterprises (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to “real estate management enterprises” with references to “real estate service enterprises”. The Measures for the Administration of Qualifications of Real Estate Service Enterprises (物業服務企業資質管理辦法) were further amended by the MOHURD on 4 May 2015, which removed the requirement of minimum registered capital and the full payment of registered capital at the time of application for qualifications of real estate services enterprises.

According to the Measures for the Administration of Qualifications of Real Estate Service Enterprises (物業服務企業資質管理辦法), a real estate service enterprise shall be accredited as class one, class two or class three qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant governments of provinces and autonomous regions are responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal governments directly under the central government are responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises.

The competent realty authorities of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the Regulation on Real Estate Management (物業管理條例), the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

According to the Rules on Property Management Service Fees (物業服務收費管理辦法) jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003 and implemented on 1 January 2004, the amount of property management fees payable to a property management enterprise as remuneration may be set between the owners and property management enterprises by reference to a fixed management fee or a percentage based management fee. The property management enterprise may collect a fixed management fee from the property owners to cover all operating costs incurred for property management and shall account for any shortfall and retain any surplus. Or, management fees may be charged by reference to a fixed percentage of the total management fees collected. The balance of the fees will be used for covering the operating cost incurred for property management, and the property owners shall account for any shortfall and retain any surplus.

Hotel Development

Hotel developments in China are subject to regulations governing property development generally, including those relating to land use, project planning and construction. Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on Security and Fire Control

Pursuant to the Measures for the Control of Security in the Hotel Industry (旅館業治安管理办法) issued by the Ministry of Public Security of the PRC and enforced on 10 November 1987, a hotel can start operation only after obtaining an approval from the local public security bureau and being issued a business licence. A hotel operator should make a filing with the local public security bureau and its branches in the county or municipality, if the hotel operator has any material change such as closing, transferring business or merging into other business, and changing place of business and name.

Pursuant to the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on 14 November 2001 and enforced on 1 May 2002,

hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on Public Health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation licence. The measures for granting and managing sanitation licence are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation licence is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the licence. The sanitation licence should be reviewed once every two years.

Supervision on Catering

According to the relevant regulations and rules in relation to catering services, hotels operating catering services should obtain catering service permits. Catering service permits are granted by food and drug administrative authorities above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards for catering services.

Insurance

There is no mandatory provision under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Foreign Investment in Property Development

The Urban Land Regulations state that foreign entities may acquire land use rights in China unless the law otherwise provides. However, in order to develop the land acquired, foreign investment enterprises in the form of equity or co-operative joint ventures or wholly foreign-owned enterprises must be established.

According to the Provisions on Approving and Registering Foreign Investment Projects (外商投資項目核准和備案管理辦法), promulgated by the NDRC on 17 May 2014 and the Catalogue of Investment Projects Subject to the Approval of Governments (政府核准的投資項目目錄(2016年本)的通知) promulgated by the State Council on 12 December 2016, foreign investment (including capital increase) in the restricted category as provided by the Catalogue of Guidance in an aggregate amount of more than US\$300 million is subject to the NDRC's approval, among which, foreign investment (including capital increase) in an aggregate amount of US\$2 billion should be filed with the State Council. Foreign investment (including capital increase) in the restricted category as provided by the Catalogue of Guidance in aggregate amount of no more than US\$300 million is subject to the approval of provincial government.

The Catalogue of Guidance, in comparison with the Catalogue of Guidance amended on 24 December 2011, removed the following from the restricted category (i) development of whole land plot, and (ii) construction and operation of high-end hotels, high-end office building and international conference centres. Construction of golf courses and villas is provided in the prohibited category of the Catalogue of Guidance. Foreign investment in real estate development except for the prohibited category of the Catalogue of Guidance is permitted. In addition, all property development companies, including foreign investment enterprises, are also required to apply for a property development enterprise qualification certificate (房地產開發企業資質證書) from the central or local construction authority.

On 11 July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Opinions on Foreign Investment in Real Estate (關於規範房地產市場外資准入和管理的意見), which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign-Invested Real Estate Enterprise (the “FIREE”) in accordance with applicable PRC laws and shall only conduct operations within the authorised 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 FIREEs with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business licence which are valid for one year. The approval certificate and business licence 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 commerce authorities. The investor shall submit a letter to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit (建設用地規劃許可證) and the construction works planning permit (建設工程規劃許可證). In addition, the investor shall also submit the land use right certificate, the registration of change of investor 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 in a lump sum and with its own capital 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; (viii) a branch or representative office established by a foreign investor in China (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 of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On 23 May 2007, the MOFCOM and the SAFE issued the Notice on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (“Notice 50”). Under Notice 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested

enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with the MOFCOM for record their approvals of establishment of a FIREE and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

On 10 July 2007, the SAFE promulgated the Notice on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects that Properly Registered with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單) (“Notice 130”). Notice 130 restricts FIREEs to raise funds offshore for the purpose of injecting such funds into the FIREEs through capital increase or shareholder loans. Notice 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations that: (i) SAFE will no longer process foreign debt registrations or application for purchase of foreign exchange, submitted by FIREEs that obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007; and (ii) SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by FIREEs that obtained approval certificate from commerce departments of local government on or after 1 June 2007, which have not been registered with MOFCOM.

In connection with the filing requirement, the MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知) on 18 June 2008 to authorise the competent MOFCOM at the provincial level to verify and check the filing documents.

On 10 June 2010, the MOFCOM promulgated the Notice on Issues Concerning Delegating the Approval Power Relating to Foreign Investment (關於下放外商投資審批權限有關問題的通知). This Circular grants local government the power to examine, approve and administrate the establishment and change of (i) foreign-invested enterprises investing in encouraged and permitted categories provide by the Catalogue of Guidance with an aggregate amount of no more than US\$300 million, and (ii) foreign invested enterprises invested in the restricted category provided by the Catalogue of Guidance with an aggregate amount of no more than US\$50 million.

According to the Decision of Amending Four Laws including the Wholly Foreign-owned Enterprises Law of the PRC (全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定) promulgated by the Standing Committee of the National People’s Congress on 3 September 2016, the establishment of foreign invested enterprise and its subsequent changes should be filed with relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprise which are subject to the special administrative measures regarding foreign investment. On 8 October 2016, NDRC and MOFCOM jointly issued a notice according to which industries provided by the restricted and prohibited category of the Catalogue of Guidance and industries provided by the encouraged category with requirements of equity or senior management under the Catalogue of Guidance are subject to the special administrative measures regarding foreign investment. On the same day, MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及備案管理暫行辦法).

On 22 November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (商務部辦公廳關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, in the case that a real estate enterprise is established in China with foreign capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

On 24 June 2014, MOFCOM and SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知) to simplify the procedures of registration of foreign investment in real estate. On 11 November 2015, MOFCOM and SAFE jointly issued the Circular on Further Improving the Record-filing for Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知) to cancel the online record filing-procedure maintained by MOFCOM.

The Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知), which was promulgated by MOHURD and other authorities on 19 August 2015, removed the special requirement of ratio of registered capital to total investment imposed on FIREEs. The Circular further removed the requirement that the registered capital of FIREEs shall be paid in full before such FIREE may apply for domestic loans or offshore loans.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The 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 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE (國家外匯管理局).

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

On 1 January 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-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for

Renminbi-US 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, announced 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 29 January 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the “Foreign Exchange Control Regulations”) which became effective from 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to the SAFE approval while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and on 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 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” or the “Provisional Regulations”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and 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 the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Bank Foreign Exchange Settlement and Sale by Foreign-invested Enterprises(外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and the 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) with effect from 25 October 1998, pursuant to which 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 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China 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 US dollar. The PBOC will announce the closing price of a foreign currency such as the US 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 China (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) must 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.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the 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 the SAFE or its competent branch.

The Foreign Exchange Control Regulations were amended by the State Council on 1 August 2008 and became effective on 5 August 2008. Under the revised Foreign Exchange Control Regulations, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon real and legal transactions, individuals and entities may keep their income in foreign currencies inside or outside China according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaged in foreign currency settlement and exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approvals from the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled Renminbi of capital account must be used in the way as approved by the SAFE or its branches, and the SAFE or its branches are empowered to supervise the utility of the foreign exchange or settled Renminbi of capital account and the alterations of the capital accounts. The Renminbi follows a managed floating exchange rate in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall file with competent authorities of the PRC. Furthermore, such individual or entity shall apply for the approval on such investment, issue or transaction form relevant authorities prior to the filing if otherwise required by relevant PRC laws and regulations.

On 29 August 2008, the General Affairs Department of the SAFE issued the Notice with Regard to the Issues of Administration of Settlement of Foreign Currency Capital of Foreign Investment 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). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accounting firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise

stipulated. Except for foreign-invested real estate enterprises, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested enterprises approved by the MOFCOM must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transfer of funds, must undergo examination and approval by the local branches of the SAFE as provided by the relevant regulations.

On 1 September 2006, the Ministry of Construction and the SAFE promulgated the Notice on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). This notice states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the CNY account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises; (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in CNY back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in CNY is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of the SAFE; and (iv) 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 the SAFE shall not approve the settlement of any foreign loans.

On 27 July 2011, SAFE issued the Circular on Issues Concerning Approval of the Outstanding Balance Index for Financing Overseas Guarantee of 2011 by Domestic Banks (2011) (the “2011 Notice”) stating that, among other things, SAFE will no longer accept applications made by domestic PRC real estate enterprises seeking to guarantee the offshore debt of their non-PRC subsidiaries. Additionally, the 2011 Notice provides that no proceeds from the issuance of any offshore debt that is guaranteed by any domestic PRC enterprise may be directly or indirectly remitted into the PRC, including (1) through repayment of the original loan of the guaranteed or other overseas companies where the original loan was remitted into the PRC through equity or creditor’s right; (2) through the purchase of an offshore entity if the majority of the assets of such offshore entity are located in the PRC; or (3) other methods recognised by the Foreign Exchange Bureaus.

On 12 May 2014, SAFE promulgated the Provisions on Foreign Exchange Administration for Cross-border Guarantees (跨境擔保外匯管理規定). According to the Provisions, where the guarantors are non-bank financial institutions or enterprises, they shall, within 15 days after entering into a guarantee contract, apply with the relevant foreign exchange authorities for the registration of the executed domestic guarantee for overseas loans contract. Where there is any change in key terms in the guarantee contract, they shall apply for alteration of the domestic guarantee for overseas loans contract registration. The relevant foreign exchange authorities shall examine the registration applications by non-bank institutions following authenticity and compliance principles. The use of funds in respect of overseas loans guaranteed by domestic guarantor shall comply with the following provisions: (1) such funds shall only be used for relevant

expenditures within the normal business scope of the debtors, and shall not be used for the transactions beyond the normal business scope of the debtors or for arbitrage or other speculative transactions against fictitious trading background; (2) without approval of the SAFE, the debtors shall not directly or indirectly transfer funds under the guarantee for domestic use by means of offering loans, equity investments, or securities investments in the PRC.

On 14 July 2014, SAFE promulgated the Notice on the Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and Roundtrip Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“Circular No. 37”). Domestic residents are required to register with foreign exchange authorities before they invest in special purpose vehicles with legitimate domestic and overseas assets or equity interests. Failure to comply with the registration procedures set forth in Circular No. 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including remittance of dividends and profits to the PRC. Prior to the implementation of Circular No. 37, domestic residents who invested special purpose vehicles with legitimate domestic and overseas assets or equity interests but fail to conduct the foreign exchange registration of overseas investments shall submit an explanatory statement and state the reasons to the bureau of foreign exchange administration. The foreign exchange authorities may make complementary registration under the principles of legitimacy and rationality. In event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws.

On 30 March 2016, SAFE issued the Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) effective from 1 June 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. On 9 June 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (關於改革和規範資本專案結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

Taxation in the PRC

Income Tax

Prior to the 2008 Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its implementation rules that became effective on 1 January 2008 (the “EIT Law”), our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new Enterprise Income Tax Law, effective from 1 January 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign invested enterprises. The 2008 Tax Law and its implementation rules provide certain relieves to enterprises that were established prior to 16 March 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of new Enterprises Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from 1 January 2008 and expire on 31 December 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of

10% unless any lower treaty rate is applicable. However, under the EIT Law, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new 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. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

On 6 March 2009, the SAT promulgated the Management Measures on Income Tax for Real Estate Development Enterprises (房地產開發經營業務企業所得稅處理辦法), which took effect on 1 January 2008.

These measures explicitly stipulates the rules on tax treatment costs, tax treatment of costs deduction, calculation of taxation costs and tax treatment of other special matters.

On 12 May 2010 the SAT promulgated the Notice on the Confirmation of Completion Conditions of Development Projects of Real Estate Development Enterprises (關於房地產開發企業開發產品完工條件確認問題的通知), which stipulates that a real estate project shall be deemed as completed when the delivery procedures (or check-in procedures) of the real property is started, or the real property has been put on actual use. The real property developer shall settle the account on time and calculate the amount of enterprise income tax of the same year.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (中華人民共和國營業稅暫行條例), which was promulgated on 13 December 1993 and amended on 10 November 2008. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

Pursuant to the Interim measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (房地產開發企業銷售自行開發的房地產專案增值稅徵收管理暫行辦法) issued on 31 March 2016 and effective on 1 May 2016 by SAT, “self-development” means infrastructure facilities and building erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over. The applicable rate of VAT is 11%. Nevertheless, for taxpayer conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months. “Old real estate projects” generally refer to real estate projects with commencement dates of construction stated in the construction permits prior to 30 April 2016.

On 30 March 2015, the MOF and the SAT jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from the purchase of the

residential property; (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner of more than five years from the purchase of the residential property. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the purchase of the residential property.

Land Appreciation Tax

Under 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 “LAT Regulations”) which was promulgated on 13 December 1993 and amended on 8 January 2011, land appreciation tax (the “LAT”) applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the “deductible items” that include the following:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges in the case of newly constructed buildings and facilities;
- Assessed value in the case of old buildings and facilities;
- Taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- Other items allowed by the Ministry of finance.

The tax rate is separated into four categories of progressive tax rates, ranging from 30% to 60% of the appreciation value as compared to the “deductible items” as follows:

<u>Appreciation Value</u>	<u>LAT Rate</u>
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemption from the LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties, excluding deluxe apartments, houses, resorts etc.), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the State;
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities’ approval.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before 1 January 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the Ministry of Finance on 27 January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- Real estate transfer contracts executed before 1 January 1994; and
- First time transfers of land use rights and/or premises and buildings during the five years commencing on 1 January 1994 if the real estate development contracts were executed or the development projects were approved before 1 January 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995 respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did for other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, the SAT, the Ministry of Construction and the State Land Administration Bureau (the predecessor of the Ministry of Land and Resources) separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities of the place where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period 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 will not process the relevant title change procedures, and will not issue the property ownership title certificates.

The State Administration of Taxation issued a further notice, namely, the Notice on Careful Management Work of LAT Collection (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate. This requirement is restated in the Notice of State on Further Strengthening of Administration Work in Relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on 5 August 2004 by the State Administration of Taxation.

On 28 December 2006, the State Administration of Taxation promulgated the Notice Concerning the Settlement of the LAT Imposed on Real Property Developers” (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), effective from 1 February 2007.

LAT must be paid if a project meets any of the following requirements:

- The property development project has been completed and sold out;
- The entire uncompleted and unsettled development project is transferred; or
- The land-use right of the relevant project is transferred.

In addition, the competent tax departments may require a property developer to settle the LAT in any of the following circumstances:

- For completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- The project has not been sold out for more than three years after obtaining the sale or pre-sale permits;
- The developer applies for cancellation of the tax registration without having settled the LAT; or
- Other conditions stipulated by the provincial tax departments.

The tax bureaus at the provincial level will, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the above notice.

The State Administration of Taxation issued the Administrative Rules for the Liquidation of Land Appreciation Tax (關於印發〈土地增值稅清算管理規定〉的通知) effective from 1 June 2009. The State Administration of Taxation reiterated the above requirements in the new rules.

On 19 May 2010, the SAT issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) which clarifies the revenue recognition in the settlement of the LAT and other relevant issues. According to the notice, in the settlement of the LAT, if the sales invoices of commodity houses are issued in full, the revenue shall be recognised based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognised based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of LAT, adjustments shall be made in the calculation of LAT. The notice provides that the deed tax paid by a real estate development enterprise for land use right shall be treated as the “relevant fees paid in accordance with the uniform regulations of the State” and be deducted from the “amount paid for land use right”.

On 25 May 2010, the SAT published the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) to require all local government to scientifically formulate the tax rate and strengthen the prepayment of the LAT. According to the notice, all local government shall made adjustments to the current prepayment rate. In addition to safeguarding housing, the prepayment rate of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%; and the local government shall determine the prepayment rate applicable to different types of real estate.

According to Article 3 of the Notice on Adjustments to Taxation Policies on the Links of Real Estate Deals (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) promulgated by the Ministry of Finance and the SAT and implemented on 1 November 2008, the selling of houses by individuals is exempted from paying the LAT for the time being.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between CNY0.2 and CNY10.0 per sq.m..

The regulations were revised by the State Council on 7 December 2013. As of 7 December 2013, the annual tax on every square meter of urban land shall be between CNY0.6 and CNY30.0.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of CNY5.0 per item.

According to Article 2 of the Notice on Adjustments to Taxation Policies on the Links of Real Estate Deals (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) promulgated by the MOF and the SAT on 22 October 2008 and implemented on 1 November 2008, the selling or purchase of houses by individuals is exempted from paying stamp duty.

Deed Tax

Under the PRC Provisional Regulations on Deed Tax (中華人民共和國契稅暫行條例) which was promulgated on 7 July 1997 and implemented on 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- Grant of use right of state-owned land;
- Sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- Sale, gift and exchange of real properties.

Deed tax rate is from 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

According to the Reply Regarding the Clarification of Taxation Basis of Deed Tax in Relation to Transfer of State-Owned Land Use Rights (關於明確國有土地使用權出讓契稅計稅依據的批復) implemented by the SAT on 27 October 2009, for the transfer of state-owned land use rights, the taxation price of deed tax shall be the total economic interests paid by the transferee for obtaining the subject land use rights. For the state-owned land the use rights of which are obtained by way of tender, auction and invitation for bidding, the taxation basis of deed tax shall be the total price of the land deal without deducting the early-stage land development expenses of the early stage.

On 29 September 2010, the SAT, the Ministry of Finance and the MOHURD issued the Notice on Adjustments of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transaction (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 where an individual purchases a common house which is the sole house for his/her family (the family

members include the purchaser, his/her spouse and minor child (children), same below) to live in, deed tax thereon shall be levied at a reduced half rate. Where an individual purchases a common house of 90 sq.m. or less, which is the sole house for his/her family to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchase of common houses that fails to satisfy the above provisions, no preferential tax policies set out above may be enjoyed.

Property Tax

Under the Provisional Regulations of the PRC on Property Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on 15 September 1986, property tax is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

The State Council recently approved, on a trial basis, the launch of a new property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On 27 January 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on 28 January 2011. Under the Shanghai Provisional Rules on the Trial in Collection and Administration of Property Tax on Certain Individual Residential Houses (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), among other things, (i) starting on 28 January 2011, Shanghai shall, on a trial basis, levy property taxes on a newly bought second or succeeding house in Shanghai which is purchased by a local resident family and each newly bought house in Shanghai which is purchased by a non-local resident family; (ii) the applicable rate of the property tax is 0.4% or 0.6%, subject to specified circumstances; and (iii) the property tax shall be temporarily payable on the basis of 70% of the transaction value of the taxable house. Moreover, the Shanghai property tax rule provides several measures for tax deduction or exemption, including the rule that if a local resident family's GFA per capita, calculated on the basis of the consolidated living space (including the newly bought house) owned by such family, is not more than 60 sq.m., such family is temporarily exempted from property tax when purchasing a second house or more after 28 January 2011 in Shanghai. Under the Chongqing Implementation Rules on Collection and Administration of Property Tax of Individual Residential Houses (重慶市個人住房房產稅徵收管理實施細則) issued by the Chongqing government which became effective on 28 January 2011, property tax will be imposed on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after 28 January 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the second or further ordinary residential properties purchased on or after 28 January 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing to impose property tax on commodity properties.

Municipal Maintenance Tax

Under the Provisional Regulations of the PRC on Municipal Maintenance 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 8 February 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Notice Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and

Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the State Administration of Taxation on 25 February 1994, the municipal maintenance tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which provides that from 1 December 2010, the Provisional Regulations on Municipal Maintenance Tax promulgated in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on municipal maintenance tax promulgated by the State Council and the competent finance and tax authorities under the State Council since 1985 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Education Surcharge

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) (the “Provisions on Education Surcharge”) promulgated by the State Council on 28 April 1986 and revised by the State Council on 7 June 1990 and 20 August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知) which was promulgated on 13 December 1984. Under the Notice Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the State Administration of Taxation on 25 February 1994 and the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on 12 October 1994, the education surcharge is not applicable to enterprises with foreign investment for the time being.

On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which provides that from 1 December 2010, the Provisions on Education Surcharge promulgated in 1986 shall be applicable to foreign invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on education surcharge promulgated by the State Council and the competent finance and tax authorities under the State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

DIRECTORS AND MANAGEMENT

Our board of directors is charged with providing overall leadership for and effective control over our Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to our executive directors and management.

The Board consisted of nine directors, comprising four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Lai Ming, Joseph, Mr. Zheng Ercheng and Mr. Ng Yau Wah, Daniel. Certain information with respect to our directors and supervisors as of the date of this offering memorandum is set out below:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Li Sze Lim (李思廉), <i>JP</i>	59	Chairman of the Board
Zhang Li (張力)	63	Co-chairman and Chief Executive Officer
Zhou Yaonan (周耀南)	62	Deputy Vice President and Executive Director
Lu Jing (呂勁)	56	Executive Director
Zhang Lin (張琳)	68	Non-executive Director
Li Helen (李海倫)	65	Non-executive Director
Lai Ming, Joseph (黎明)	72	Independent Non-executive Director
Zheng Ercheng (鄭爾城)	59	Independent Non-executive Director
Ng Yau Wah, Daniel (吳又華)	61	Independent Non-executive Director
Chen Liangnuan (陳量暖)	66	Supervisor
Liang Yingmei (梁英梅)	76	Supervisor
Zhao Xianglin (趙祥林)	75	Supervisor

Biographical details of the directors and their relationships, if any, are set out below:

Executive Directors

Li Sze Lim (李思廉), *JP*, aged 59, is an executive director and the Chairman of our Company. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company. He is responsible for the strategic direction of our Company and also specially responsible for the sales and financial management function. Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded the Company. Mr. Li is the Chairman of the Council of Guangdong Chamber of Real Estate, a director and the President of China Real Estate Developers and Investors Association (“CREDIA”), the President of Guangzhou Real Estate Association and Guangzhou Real Estate Institute, a director, Vice Chairman of the Board and the Chairman of the Supervisory Board of New Home Association Limited (a charitable organisation in Hong Kong) and a part-time professor of Jinan University. Mr. Li is the brother of Ms. Li Helen who is a non-executive director of our Company. Save as disclosed above, Mr. Li is also a director of certain subsidiaries incorporated in the British Virgin Islands, the PRC and Hong Kong, and a director of all subsidiaries incorporated in Malaysia and Singapore.

Zhang Li (張力) aged 63, is an executive director, the Co-chairman and Chief Executive Officer of our Company. Mr. Zhang is responsible for our Company's land acquisition, construction development, cost control and managing daily operations. Mr. Zhang started his career in the construction and renovation business. Prior to joining our Company, he was the Secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the Head of production department of Guangzhou Baiyun District Township Enterprise Administration. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li, founded the Company. Mr. Zhang is also an executive director and chairman of Kinetic Mines and Energy Limited, a limited company listed in Hong Kong (Stock code: 1277). Mr. Zhang is a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, the Chairman of China Real Estate Chamber of Commerce and a part-time professor of Jinan University. Mr. Zhang is the brother of Ms. Zhang Lin who is a non-executive director of our Company. Save as disclosed above, Mr. Zhang is also a director of certain subsidiaries incorporated in the British Virgin islands, the PRC and Australia and a director of two subsidiaries incorporated in Hong Kong.

Zhou Yaonan (周耀南) aged 62, is an executive director and Deputy Vice President of our Company. Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property projects and project management. He was appointed as a Deputy General Manager when he joined the Group in October 1995 and was made General Manager in 2005. He was elected as an executive director of the Board in October 2001 and acted as a Deputy Vice President of our Company since 2008. Prior to joining the Group, he held various teaching and administrative positions with a number of middle schools in Guangzhou, after graduating from South China Normal University with a bachelor's degree. Save as disclosed above, Mr. Zhou is also a director of certain subsidiaries incorporated in the PRC.

Lu Jing (呂勁) aged 56, is an executive director of our Company. Mr. Lu has been with our Company since the formation of Guangzhou Tianli Properties Development Co., Ltd. in August 1994, and has been serving as the Deputy General Manager since then. He was elected as Executive Director of the Board in October 2001. He was appointed the General Manager of Beijing R&F Properties Development Co., Ltd. and R&F (Beijing) Properties Development Co., Ltd., the vice director of Shanghai R&F Properties Development Co. Ltd. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining us, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou. Save as disclosed above, Mr. Lu is also a director of certain subsidiaries incorporated in the PRC and Australia.

Non-executive Directors

Zhang Lin (張琳) aged 68, is a non-executive director of our Company. Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor in the Engineering Training Centre from 1993 to 2003, teaching electrical and electronic engineering technology. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Mr. Zhang Li. Ms. Zhang is also a non-executive director of Kinetic Mines and Energy Limited, a limited company listed in Hong Kong (Stock code: 1277).

Li Helen (李海倫) aged 65, is a non-executive director and a member of the audit committee of our Company. Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987, she was the Managing Director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong

and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005, she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Independent Non-executive Directors

Lai Ming, Joseph (黎明) aged 72, is an independent non-executive director of our Company, the chairman of the audit committee and a member of the nomination committee. Mr. Lai is a fellow member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”), CPA Australia, the Chartered Institute of Management Accountants (“CIMA”) and the HK Institute of Directors. He co-founded the Hong Kong Centre of CIMA and was its president from 1974 to 1975 and from 1979 to 1980. He was the president of the HKICPA in 1986. Mr. Lai became an independent non-executive director of our Company in May 2005 and has been chairman of the audit committee since then.

Until his retirement in 2004, Mr. Lai served several Hong Kong listed companies in key management positions with particular emphasis on corporate finance and organisation and management information. He is an independent non-executive director of Jolimark Holdings Limited and Country Garden Holdings Company Limited, both of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

Zheng Ercheng (鄭爾城) aged 59, is an independent non-executive director of our Company, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company. Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. He became a supervisor of the Company in June 2004. He retired from the position of supervisor and was appointed as an independent non-executive director of our Company in May 2014.

Ng Yau Wah, Daniel (吳又華) aged 61, is an independent non-executive director of our Company and a member of the remuneration committee. He obtained his bachelor degree in economics in 1978 from the York University, Canada. Mr. Ng had engaged in carpet trading and manufacturing business for more than 20 years. He was previously the executive director of International Carpet Company Limited. Mr. Ng also has substantial past experience in property investment projects in China, Hong Kong and Malaysia. He is currently the executive director of Gayloy Limited, a company engaged in real estate property investment and management, leasing of property and rental of parking spaces in Hong Kong. Mr. Ng became an independent non-executive director of the Company and a member of the remuneration committee on 30 May 2015.

Supervisors

Chen Liangnuan (陳量暖) aged 66, is a supervisor of our Company. Mr. Chen graduated from Shanghai Textile College in 1977. From 1977 to 1996, Mr. Chen had served as the general manager or party secretary of various textile factories in Guangzhou. Mr. Chen joined Guangzhou Tianli Construction Co., Ltd. (“Tianli”) in 1996 as its general manager and assumed in 2003 the additional position of managing Director which he currently holds. Tianli is presently a wholly-owned subsidiary of the Company. Mr. Chen is also a director of Tianli, Foshan Lizun Metal Products Co.,

Ltd.(佛山力尊金屬製品有限公司) and Guangzhou Tianyin Landscape Engineering Co., Ltd. (廣州天盈園林工程有限公司). Mr. Chen is currently a supervisor of the Company and also a supervisor of Tianli. Save as disclosed above, Mr. Chen is also a director of certain subsidiaries incorporated in the PRC.

Liang Yingmei (梁英梅) aged 76, is a supervisor of our Company. Ms. Liang has over 40 years of experience in the construction industry. She has been the chairman of the Association of the Construction Materials Industry of Guangzhou. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor's degree in chemistry from the South China University of Technology in 1964. She was appointed as a supervisor of the Company in June 2004 to act as a representative of the Company's shareholders.

Mr. Zhao Xianglin (趙祥林), aged 75, is a supervisor of our Company. Mr. Zhao is very experienced in supervising the functioning of sizable enterprises. From 1969 to 2002, Mr. Zhao was a senior teacher at the Affiliated High School of Yangzhou University ("AHSYU"). During Mr. Zhao's tenure at AHSYU, he was also the head of the Music Curriculum Development Team, vice-president of the Labor Union and the director of the Office of School Sponsored Enterprises of AHSYU. From 1998 to 2002, Mr. Zhao was a member of the Political Consultative Conference of the City of Yangzhou. Mr. Zhao retired in 2002. Mr. Zhao graduated from Yangzhou University in 1964 with a higher education diploma. Mr. Zhao was appointed as a supervisor of our Company in September 2014 to act as a representative of our Company's shareholders.

All directors have entered into a letter of appointment with the Company for a specific term of three years. All are subject once every three years to retirement from office by rotation and re-election at the annual general meeting, in accordance with the articles of association of the Company.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience, and have contributed advice to the Board. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Company. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for taking into account and protecting the interests of the Company's shareholders.

All our directors have access to timely information about our business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to our business at the Company's expense.

We continuously update all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, both to ensure compliance and to enhance their awareness of good corporate governance practices.

As Chairman, Mr. Li Sze Lim provides leadership and oversees the Board's working. He ensures that all directors are properly briefed on issues arising at Board meetings, and receive comprehensive, relevant and reliable information in a timely manner. He is also responsible for the Board's effectiveness by ensuring that all key issues are discussed within the Board, and that the Board adopts good corporate governance practices. The Chairman from time to time holds meetings with independent non-executive directors without the presence of executive directors.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of our Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board. The role of the Chief Executive Officer is separate from that of the Chairman.

Nomination Committee

The nomination committee has been established on 20 March 2012 with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng. Mr. Li Sze Lim is chairman of the committee.

Among other duties, the nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the nomination policy approved by the Board. Specific responsibilities include, among others, reviewing the structure, size and composition of the Board, identifying and nominating candidates to fill casual vacancies of directors, reviewing the time required from directors to perform their duties and making recommendation to the Board in respect of succession planning.

Supervisory Committee

The supervisory committee consists of three members, including two supervisors who represent shareholders, Ms. Liang Yingmei and Mr. Zhao Xianglin, and one who represents employees, Mr. Chen Liangnuan. The supervisors effectively performed their supervisory duties relating to the Company's operations.

Audit Committee

The audit committee was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee reports to the Board and has held regular meetings to review and make recommendations for improving the Group's financial reporting processes and its internal controls. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Lai Ming, Joseph and Mr. Zheng Ercheng. The chairman of the committee is Mr. Lai Ming, Joseph, who has professional accounting qualifications and expertise in financial management.

The audit committee is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. It is also

tasked with coordinating with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement.

Remuneration committee

The remuneration committee was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Ng Yau Wah, Daniel. Mr. Zheng Ercheng is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The committee determines the remuneration packages of executive directors and members of senior management. The remuneration of executive directors is linked to the Company's business performance and profitability in the context of current market conditions. Individual directors and senior management are not involved in determining their own levels of remuneration.

Directors' and Supervisors' Interests and Short Positions in the Shares and Underlying Shares and Debentures of the Company

As of 30 June 2016, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

- (a) Long positions in the shares, underlying shares and debentures of the Company as of 30 June 2016 were as follows:

Director/supervisor	Class of shares	Number of Shares			Percentage of the total number of issued shares ⁽¹⁾
		Personal	Spouse or child under 18	Total	
Li Sze Lim.	Domestic share	1,045,092,672			
	H share	30,000,000	5,000,000	1,080,092,672	33.52%
Zhang Li	Domestic share	1,005,092,672	20,000,000		
	H share	6,632,800		1,031,725,472	32.02%
Lu Jing.	Domestic share	35,078,352		35,078,352	1.09%
Zhou Yaonan.	Domestic share	22,922,624		22,922,624	0.71%
Li Helen	H share	1,003,600		1,003,600	0.03%
Zheng Ercheng.	H share	260,280		260,280	0.008%
Ng Yau Wah, Daniel . .	H share	22,588,000		22,588,000	0.70%
Chen Liangnuan.	Domestic share	20,000,000		20,000,000	0.62%

Note:

- (1) The Company's total number of issued shares as of 30 June 2016 was 3,222,367,344 of which 2,207,108,944 shares are domestic shares held by domestic shareholders, accounting for 68.49% of the total share capital of the Company and 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

- (b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

<u>Director</u>	<u>Name of associated corporation</u>	<u>Type</u>	<u>No. of shares</u>	<u>Percentage of total issued capital</u>
Li Sze Lim. .	Guangzhou Tianfu Property Development Co., Ltd. ⁽¹⁾	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. ⁽²⁾	Corporate	N/A	35.0%
Zhang Li. . .	Guangzhou Tianfu Property Development Co., Ltd. ⁽¹⁾	Corporate	N/A	7.5%
	Beijing Fushengli Investment Consulting Co., Ltd. ⁽²⁾	Corporate	N/A	35.0%

Note:

- (1) Guangzhou Tianfu Property Development Co., Ltd. is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.
- (2) Beijing Fushengli Investment Consulting Co., Ltd. is 70% and 30% owned by Well Bright International Limited and Tianli, respectively. Tianli is a subsidiary of the Company. Well Bright International Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2016, so far as the directors are aware, only the following persons (other than our directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

<u>Name of shareholders</u>	<u>Types of share</u>	<u>Number of shares⁽¹⁾</u>	<u>Percentage of H shares⁽²⁾</u>
JPMorgan Chase & Co.	H share	60,160,173 (L)	5.92%
		3,407,612 (S)	0.33%
		26,926,734 (P)	2.65%
Citigroup Inc.	H share	58,275,680 (L)	5.73%
		23,866,971 (S)	2.35%
		46,872,447 (P)	4.61%
Commonwealth Bank of Australia.	H share	53,233,212 (L)	5.24%
		5,067,768 (S)	0.49%
Lehman Brothers Holdings Inc.	H share	51,049,240 (L)	5.03%
		67,663,183 (S)	6.66%

Note:

- (1) The letters “L”, “S” and “P” respectively denote a long position, a short position and a lending pool in the shares.
- (2) 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2016, the Group entered into the following transactions with related parties as disclosed in Note 24 “Significant related-party transactions” to the condensed consolidated interim financial information as of and for the six months ended 30 June 2016:

- provision of salary and welfare benefits to key management personnel;
- provision of property management services to Tianjin Jinnan Xincheng Properties Development Co., Ltd.(天津津南新城房地產開發有限公司);
- provision of decoration, design and construction services to Guangzhou Fujing Properties Development Co., Ltd.(廣州市富景房地產開發有限公司), Guizhou Daxinan Properties Development Co., Ltd.(貴州大西南房地產開發有限公司), Guangzhou Senhua Real Estate Co., Ltd. (廣州市森華房地產有限公司), Tianjin Jinnan Xincheng Properties Development Co., Ltd. (天津津南新城房地產開發有限公司) and Guangxi Fuya Investment Co., Ltd.(廣西富雅投資有限公司);
- purchase of installation services from Guangzhou Jurong Engineering Co., Ltd. (廣州鉅融機電工程有限公司) and Guangzhou Yuefu Environmental Protection Technology Co., Ltd. (廣州越富環保科技有限公司);
- acquisition of 100% equity interests in Huizhou Golden Swan Hot Spring Co., Ltd (惠州市金鵝溫泉實業有限公司) from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of CNY530.0 million (US\$79.7 million); and
- provision of guarantees for borrowings of five joint ventures and two associates to the extent of CNY2,639.5 million (US\$397.2 million).

Save for the above related party transactions, there are no other material related party transactions for the six months ended 30 June 2016.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 30 June 2016, our total bank loans amounted to CNY40,867.2 million (US\$6,149.2 million). In addition, as of 30 June 2016, we had a total amount of the equivalent of CNY33,707.5 million (US\$5,071.9 million) of corporate bonds outstanding from the issuance of our 2015 Corporate Bonds and 2016 Corporate Bonds, a total principal amount of US\$1,000.0 million in principal amount of the 2019 Notes outstanding and a total principal amount of US\$600.0 million of the 2020 Notes outstanding. As of the same date, we had other borrowings equivalent to CNY22,651.7 million (US\$3,408.4 million) and finance lease liabilities equivalent to CNY36.9 million (US\$5.6 million) outstanding. In addition, as of 30 June 2016, we had a total amount of CNY2,404.1 million (US\$361.7 million) of perpetual capital instruments outstanding. We have also, since 30 June 2016, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes. We set forth below a summary of the material terms and conditions of these loans, indebtedness and other obligations.

PRC Financing Documents

Project Loans and Perpetual Capital Instruments

We and certain of our PRC subsidiaries have entered into financing documents with various PRC banks and other financial institutions, including perpetual capital instruments. These financing documents typically are project loans to finance the construction of our projects with terms ranging from one to five years, which generally correspond to the construction periods of the particular projects. Certain of our PRC project loans require prepayment of the loan if a certain percentage of GFA of the relevant project has been sold. The perpetual capital instruments have no maturity date.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, we and many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties with the assets funded by the loans;

- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganisations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Guarantee and Security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the financing documents pursuant to which these subsidiaries and associates have guaranteed or provided security including property mortgage for all liabilities of the subsidiary borrowers under these financing documents. We also act as a guarantor in relation to certain of these financing documents.

2015 Corporate Bonds

On 13 July 2015, we issued 65,000,000 units of corporate bonds at a par value of CNY6.5 billion in the PRC. The 2015 Corporate Bonds will mature after five years from the issue date at their nominal value of CNY6.5 billion. On 25 August 2015, the 2015 Corporate Bonds were listed on Shanghai Stock Exchange.

Interest

The interest rate of the 2015 Corporate Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, we have an option to increase the interest by up to 100 basis points for the remaining period. Interest payment is payable once per annum on 13 July of each year, for as long as the 2015 Corporate Bonds are outstanding.

Maturity and Prepayment

The 2015 Corporate Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

Events of Default

The 2015 Corporate Bonds have customary events of default, including, among others, non-payment of principal or interest.

2016 Corporate Bonds

2016 Public Corporate Bonds

On 11 January 2016, we issued the first tranche of the 2016 Public Corporate Bonds of CNY6.0 billion in the PRC (the “First Tranche 2016 Public Corporate Bonds”). On 9 March 2016, the First Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

On 22 January 2016, we issued the second tranche of the 2016 Public Corporate Bonds (the “Second Tranche 2016 Public Corporate Bonds”) of CNY3.6 billion in the PRC. On 11 March 2016, the Second Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

On 7 April 2016, we issued a dual-category third tranche of the 2016 Public Corporate Bonds (the “Third Tranche 2016 Public Corporate Bonds”) of CNY2.9 billion. On 3 May 2016, the Third Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

Interest

The interest rate of CNY6.0 billion of the First Tranche 2016 Public Corporate Bonds and CNY3.6 billion of the Second Tranche 2016 Public Corporate Bonds is 3.95% per annum and on the third anniversary of the issue date, the Company will have an option to increase the interest rates for the remaining periods.

The interest rate of the first CNY1.95 billion of the Third Tranche 2016 Public Corporate Bonds is 3.48% per annum and on the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The interest rate of the second CNY950 million of the Third Tranche 2016 Public Corporate bonds is 3.95% per annum and on the fifth anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods.

Maturity and Prepayment

The First Tranche 2016 Public Corporate Bonds and the Second Tranche 2016 Public Corporate Bonds will mature in 2021 and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates. The first CNY1.95 billion of the Third Tranche 2016 Public Corporate Bonds will mature in 2022 and are puttable for early redemption at the principal amount upon the third anniversary of the issue date. The second CNY950 million of the Third Tranche 2016 Public Corporate Bonds will mature in 2023 and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

Events of Default

The 2016 Public Corporate Bonds have customary events of default, including, among others, non-payment of principal or interest.

2016 Non-public Corporate Bonds

On 16 May 2016, we issued the first tranche of the 2016 Non-public Corporate Bonds of CNY4.6 billion (the “First Tranche 2016 Non-public Corporate Bonds”). On 30 May 2016, we issued the second tranche of the 2016 Non-public Corporate Bonds of CNY10.4 billion (the “Second Tranche 2016 Non-public Corporate Bonds”).

Interest

The interest rate of First Tranche 2016 Non-public Corporate Bonds is 5.2% per annum and on the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The interest rate of the Second Tranche 2016 Non-public Corporate Bonds is 5.15% per annum and on the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods.

Maturity and Prepayment

The First Tranche 2016 Non-Public Corporate Bonds will mature in 2022 and are puttable for early redemption at the principal amount upon the third anniversary of the issue date. The Second Tranche 2016 Non-public Corporate Bonds will mature in 2020 and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

Events of Default

The 2016 Non-public Corporate Bonds have customary events of default, including, among others, non-payment of principal or interest.

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing arrangements with financial institutions to finance property development or for general corporate purposes. These trust financing loans have a term ranging from one to three years. As of 30 June 2016, we have 54 trust financing loans of an aggregate principal amount of CNY22.64 billion (US\$3.4 billion).

Interest

Our trust financing loans bear interest rates ranging from 5.23% to 13.18%. Interest payments are payable annually or quarterly and must be made on each payment date as provided in the particular loan agreement.

Guarantee and security

The trust financing loans are guaranteed by the Company and are secured by capital stock and/or land use rights or other assets of our PRC subsidiary.

Guarantees for Joint Ventures and Associates

We have provided guarantees for certain bank facilities and other financing arrangements granted to our joint ventures and associate for project development purposes. Such guarantees are limited to our proportionate interests in such joint ventures and associates. See “Related Party Transactions” and the relevant note to our condensed consolidated interim financial information as of and for the six months ended 30 June 2016 included in this offering memorandum.

Finance Lease

In April 2012, a subsidiary of the Company, as the lessee, entered into an aircraft rental agreement with an independent third party under a financial lease agreement. Under the agreement, the lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. Upon the maturity date of the lease, the lessee has an option to purchase the aircraft for a consideration of CNY94,830,000.

The 2020 Notes

On 24 January 2013, the 2020 Notes Issuer issued US\$400,000,000 in principal amount of 8.75% Senior Notes due 2020 (the “Original 2020 Notes”). The 2020 Notes Issuer issued the Further 2020 Notes, in a principal amount of US\$200,000,000, on 6 February 2013, which were consolidated and form a single series with the Original 2020 Notes. As of the date of this offering memorandum, a total principal amount of US\$600.0 million of the 2020 Notes remains outstanding. The 2020 Notes will be redeemed in full on 24 January 2017 with internal funds. Upon completion of the redemption, all the outstanding 2020 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2020 Notes, will be removed as a secured party under the Intercreditor Agreement.

The 2019 Notes

On 10 January 2014, Trillion Chance Limited 兆運有限公司 issued US\$1,000,000,000 in principal amount of 8.50% Senior Notes due January 2019. As of the date of this offering memorandum, a total principal amount of US\$1,000.0 million of the January 2019 Notes remains outstanding. The 2019 Notes will be redeemed in full on 10 January 2017 with internal funds. Upon completion of the redemption, all the outstanding 2019 Notes will be cancelled and Citicorp International Limited, as trustee and security trustee with respect to the 2019 Notes, will be removed as a secured party under the Intercreditor Agreement.

Certain Bank Deposit Secured Indebtedness

On 15 December 2016, R&F HK entered into a standby letter of credit (“SBLC”) backed loan agreement with Industrial Bank Co., Ltd. Hong Kong Branch (“Industrial Bank”) of up to CNY4,500 million (US\$677 million). As of the date of the offering memorandum, R&F HK has not drawn down under the loan with Industrial Bank. On 19 December 2016, R&F HK entered into two SBLC backed loan agreements with Agricultural Bank of China Hong Kong Branch (“ABC”) and China Merchants Bank Co., Ltd. (“CMS”), respectively, of up to US\$800 million and US\$400 million, respectively. As of the date of the offering memorandum, R&F HK has fully drawn down under the loan with ABC and CMS.

The principal amounts outstanding under these SBLC backed loans generally bear interest at floating rates calculated by reference to the London Interbank Offer Rate.

These loans have customary covenants, except that the loan with Industrial Bank, among other things, requires R&F HK to seek the lender’s consent to grant any security or encumbrances. Industrial Bank has granted its consent for R&F HK to grant security, guarantee and encumbrances in connection with the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following (subject to amendment, and other than the words in italics) is the text of the terms and conditions of the Notes which will appear on the reverse of each of the definitive certificates evidencing the Notes:

The issue of the US\$265,000,000 aggregate principal amount of 5.75 per cent. Senior Notes due 2022 (the “**Notes**”, which term shall include, unless the context requires otherwise, any additional notes issued pursuant to the option to issue up to the maximum amount of Notes as approved by the Guangdong Provincial Development and Reform Commission (the “**Option Notes**”) and any Additional Notes issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Easy Tactic Limited (怡略有限公司) (the “**Issuer**”) was authorised by the resolutions of the Board of Directors of the Issuer passed on or about 29 December 2016. The Notes are jointly and severally guaranteed by R&F Properties (HK) Company Limited (the “**R&F HK**”) and each of the other Subsidiary Guarantors (collectively, the “**Subsidiary Guarantors**”). Each subsidiary of Guangzhou R&F Properties Co., Ltd. (the “**Company**”) that in the future provides a “**JV Subsidiary Guarantee**” (as defined herein) is referred to as a “**JV Subsidiary Guarantor**”. The giving of the Subsidiary Guarantees (as defined below) has been authorised by resolutions of the board of directors of R&F HK passed on or about 29 December 2016 and the board of directors of each of the other Subsidiary Guarantors passed on or about 29 December 2016. The Notes are constituted by a trust deed dated on or about 13 January 2017 (as amended and/or supplemented from time to time, the “**Trust Deed**”) made among the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and Citicorp International Limited as trustee for and on behalf of the Holders (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed) and as security trustee for and on behalf of the Holders (the “**Security Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as security trustee or security trustees under the Trust Deed, the Charge Over Account and the Security Documents) and are subject to the paying agency agreement dated on or about 13 January 2017 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) made among the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the Trustee, Citibank, N.A., London Branch as principal agent (the “**Principal Agent**”) and Citigroup Global Markets Deutschland AG as registrar (the “**Registrar**”) and the paying agents and transfer agents appointed under it, including any paying agents and transfer agents required to comply with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed (each a “**Paying Agent**” or a “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”). References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, registrar and the agents for the time being for the Notes.

The Notes also have the benefit of (i) a keepwell deed dated on or about 13 January 2017 (the “**Keepwell Deed**”) entered into by the Company, the Issuer, R&F HK and the Trustee and (ii) a deed of equity interest purchase undertaking dated on or about 13 January 2017 (the “**Equity Interest Purchase Undertaking**”) entered into by the Company, R&F HK and the Trustee. The Keepwell Deed has been authorised by resolutions of the board of directors of the Company passed on or about 29 December 2016, the board of directors of R&F HK passed on or about 29 December 2016 and the board of directors of the Issuer passed on or about 29 December 2016. The Equity Interest Purchase Undertaking was authorised by resolutions of the board of directors of the Company passed on or about 29 December 2016 and the board of directors of R&F HK passed on or about 29 December 2016.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Intercreditor Agreement. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Intercreditor Agreement will be available for inspection at the office of the Trustee being at the date hereof at 39th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong and at the specified office of the Principal Agent. The Holders are entitled to the benefit of, and are bound by, and are deemed to have notice of all provisions of the Trust Deed and the Intercreditor Agreement and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1 Status, Form and Denomination

(A) Status

- (1) The Notes constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and the Notes shall, save for exceptions as may be provided by mandatory provisions of applicable law, at all times rank *pari passu* and without preference or priority among themselves.
- (2) The Subsidiary Guarantee of R&F HK and each of the other Subsidiary Guarantors constitutes a general obligation of such Person, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), at all times rank *pari passu* with all of the other present and future unsecured, unconditional and unsubordinated obligations of such Person.
- (3) If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor, and at all times rank *pari passu* with all of the other present and future unsecured, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor.

(B) Form and denomination

The Notes are issued in registered form without coupons attached in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. A Note certificate (each a “**Certificate**”) will be issued to each Holder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Holders which the Issuer will procure to be kept by the Registrar.

*Upon issue, the Notes will be represented by a global certificate (the “**Global Certificate**”), deposited with, and registered in the name of a nominee for, a common depositary for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”).*

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

So long as the Notes are represented by the Global Certificate and the rules of Euroclear and Clearstream so permit, transfers of interests in the Notes through the relevant clearing systems shall be in principal amounts of at least US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will be traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”) in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST.

2 Title

Title to the Notes passes only by transfer and registration in the register of Holders as described in Condition 3. The Person whose name is entered in the Register as the Holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**Holder**” means the Person in whose name a Note is registered or in the case of a joint holding, the first named thereof.

3 Transfers of Notes; issue of Certificates

(A) Register

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the Holders and the particulars of the Notes held by them and of all transfers of the Notes (the “**Register**”). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

(B) Transfer

Subject to the Agency Agreement, a Note may be transferred by delivery of the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed by the Holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the Euroclear and Clearstream.

(C) Delivery of new certificates

Each new Certificate to be issued upon a transfer of Notes will, within five business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the duly completed form of transfer, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Notes (but free of charge to the Holder) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Certificate is issued is to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of delivery of the original Certificate to the Registrar or

other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred (but free of charge to the Holder) to the address of such Holder appearing on the Register.

For the purposes of this Condition 3, “**business day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar or the relevant Agent, as the case may be, with whom a Certificate is deposited in connection with a transfer is located.

(D) Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity and/or security as the Issuer or any of such Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

(E) Closed periods

No Noteholder may require the transfer of a Note to be registered: (i) during the period of seven days ending on (and including) the dates for payment of any principal (or premium) pursuant to the Conditions; (ii) during the period of 15 days prior to (and including) any date on which the Notes may be redeemed by the Issuer at its option pursuant to Condition 5(B), Condition 5(F) or Condition 5(G) or (iii) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 9(A)).

(F) Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. The Registrar and the Transfer Agents may also promulgate any other regulations that they may deem necessary for the registration and transfer of the Notes. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who asks for one.

4 Guarantee and Security

(A) Subsidiary Guarantees

R&F HK and each of the other Subsidiary Guarantors has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. Each Subsidiary Guarantor’s obligations in that respect (each a “**Subsidiary Guarantee**”) are contained in the Trust Deed.

As of the Original Issue Date, the initial Subsidiary Guarantors are R&F HK, R&F Properties (BVI) Co., Ltd (富力地產(BVI)有限公司), Pex International Limited, Henic International Limited, Palace View Investments Limited (軒景投資有限公司), Peace Extend Investments Limited (安弘投資有限公司), Perfect City Investments Limited (佳城投資有限公司), Kingplan International Limited, Ease Glory International Limited (逸榮國際有限公司), Project Charter Enterprises Limited, Smart Keen International Limited (智建國際有限公司), Jenic International Limited, East Global Industries Limited, General Light Investments Limited (普明投資有限公司), Grandcharm International Limited, Link City Limited (聯城有限公司), Manpress International Limited, Maxview

Investments Limited (盛景投資有限公司), Silver Mac Energy Investment Ltd., O&C Property Development Ltd., Ucharm International Limited, Easycross International Limited, Globe Times Investments Limited (宇時投資有限公司), Kilowell International Limited, Central Hope Limited, Lancaster-Toprich Limited, Gain Choice Holdings Limited (景擇控股有限公司), Jinbo Investments Limited (晉博投資有限公司), Radiant Ace Global Limited (耀峰環球有限公司), City Step Investments Limited (城階投資有限公司), Pilot Star Investments Limited (領星投資有限公司), Skill Smart Investments Limited (巧明投資有限公司), Profit Range Holdings Limited (潤巒控股有限公司), Iconic Victor Limited, Lion Horizon Limited, Jubilee Vantage Limited, R&F (HK) Soccer Limited (富力香港足球有限公司)(formerly known as Vantage Merit Limited), Precision Trade Holdings Limited, R&F Development SDN BHD, Rich Victor Investments Limited (富凱投資有限公司), Yield Charm Investments Limited (益創投資有限公司), Value Success Investments Limited (益成投資有限公司), Celestial Union Limited (協天有限公司), Charm Trade Limited (昌貿有限公司), R&F Mega Realty SDN BHD and R&F Development Pte. Ltd.

R&F Properties (UK) Company Limited, Trillion Chance Limited (兆運有限公司), Caifu Holdings Limited(彩富控股有限公司), Estate Link Investments Limited (BVI) (智領投資有限公司), R&F Properties (Macau) Company Limited, Tian Li Property Construction SDN BHD, Tian Li Property Management SDN BHD, Smart Candid Limited, Celestial Estate Limited, Advanced Business Park (Qingdao) Investment Limited (總部基地青島投資有限公司), Best Always Investments Limited (BVI) (恒佳投資有限公司), Skylane Holdings Limited, R&F Korea Co., Ltd. and Sunlight Jolly Limited (BVI) (明樂有限公司) (the “**Initial Offshore Non-Guarantor Subsidiaries**”) will not guarantee the obligations of the Issuer under the Trust Deed or the Notes on the Original Issue Date.

The Company shall cause each of its future Subsidiaries (other than the Issuer, the PRC Subsidiaries, Exempted Finance Subsidiaries, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable and, in any event, within 30 days after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or Listed Subsidiary, to execute and deliver to the Security Trustee a deed supplemental to the Trust Deed pursuant to which such Restricted Subsidiary will, jointly and severally, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes; *provided that* each JV Subsidiary Guarantee will be limited to the JV Entitlement Amount of the relevant JV Subsidiary Guarantor. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date, other than a JV Subsidiary Guarantor, is referred to as a “**Future Subsidiary Guarantor**” and, upon execution of the applicable supplemental deed to the Trust Deed, will be a “**Subsidiary Guarantor**”.

Notwithstanding the foregoing paragraph, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organised outside the PRC (“**Offshore Restricted Subsidiary**”) not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary (the “**New Offshore Non-Guarantor Subsidiary**” and, together with the Initial Offshore Non-Guarantor Subsidiaries, any Exempted Finance Subsidiary, any Exempted Subsidiary and any Listed Subsidiary, the “**Offshore Non-Guarantor Subsidiaries**”), *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Subsidiaries and any Listed Subsidiaries) do not account for more than 20% of Total Assets.

If, at any time, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Subsidiaries and any Listed Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Offshore Non-Guarantor Subsidiaries and cause such Offshore Non-Guarantor Subsidiaries to execute and deliver to the Security Trustee a supplemental trust deed to the Trust Deed pursuant to which such Offshore Non-Guarantor

Subsidiaries will guarantee the payment of the Notes, (ii) designate one or more Offshore Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Offshore Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favourable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of these Conditions and the Trust Deed and such that the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Subsidiaries and any Listed Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as an Offshore Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly, and in any event no later than 30 days, after the date any consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Subsidiaries and any Listed Subsidiaries) exceed 20% of Total Assets.

The Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be released (on the occurrence of the events set out in paragraphs (i) and (ii) below, only in relation to the affected Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and on the occurrence of the event set out in paragraph (iii) below, only in relation to the affected Subsidiary Guarantor):

- (i) if, in relation to any Subsidiary Guarantor (other than R&F HK) or any JV Subsidiary Guarantor, such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is disposed of in accordance with these Conditions and the Trust Deed, *provided that*: (a) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations (if any) in respect of any other Indebtedness of the Issuer, the Company or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by these Conditions or the Trust Deed;
- (ii) if, in relation to any Subsidiary Guarantor (other than R&F HK) or any JV Subsidiary Guarantor, the Issuer designates such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, to be an Unrestricted Subsidiary in accordance with these Conditions and the Trust Deed;
- (iii) upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee (as described below);
- (iv) upon a defeasance as set out in Condition 7;
- (v) if all amounts due and payable under the Notes, the Trust Deed and the Agency Agreement have been paid in full; or
- (vi) if a Subsidiary Guarantor (other than R&F HK) or JV Subsidiary Guarantor becomes a New Offshore Non-Guarantor Subsidiary in compliance with these Conditions and the terms of the Trust Deed.

Notwithstanding any other provisions under these Conditions and the Trust Deed, for so long as any of the Notes remain outstanding, R&F HK shall at all times be designated and construed as a Subsidiary Guarantor, save that R&F HK may be released from its Subsidiary Guarantee on occurrence of the events set out in paragraphs (iv) or (v) above.

A Subsidiary Guarantee given by a Subsidiary Guarantor (other than R&F HK) may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is of no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor so that such Subsidiary Guarantor becomes a JV Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- (a) concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee or the Security Trustee, as applicable:
 - (i) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Subsidiary of such JV Subsidiary Guarantor that is not a PRC Subsidiary, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of the JV Subsidiary Guarantor;
 - (ii) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution of such JV Subsidiary Guarantor to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (iv) a legal opinion by a law firm of recognised international standing confirming that under English law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock; and
- (c) as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (ii) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (iii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the case of a Subsidiary Guarantor (other than R&F HK) with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Offshore Restricted Subsidiaries, and upon such release such Subsidiary Guarantor and its Offshore Restricted Subsidiaries will become New Offshore Non-

Guarantor Subsidiaries (such that they will no longer Guarantee the Notes) and (b) instruct the Security Trustee to (i) discharge the pledge of the Capital Stock granted by each such New Offshore Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor Pledgor over the shares it owns in each such New Offshore Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided that* after giving effect to the release of such Subsidiary Guarantees, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Subsidiaries and any Listed Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (x) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee or (y) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company or any Restricted Subsidiary by such Subsidiary Guarantor.

Notwithstanding the foregoing paragraphs, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in these Conditions and the Trust Deed, including, without limitation, Condition 6(B), Condition 6(D) and Condition 6(I).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with Condition 6(I).

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Security Trustee or the Holders until the Issuer has delivered to the Security Trustee an Officers' Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by these Conditions and the Trust Deed.

(B) JV Subsidiary Guarantees

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity that is incorporated in any jurisdiction other than the PRC and in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to divest, whether through the sale of existing Capital Stock or the issuance of Capital Stock, no less than 20% and no more than 49% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable and, in any event, within 30 days after the consummation of such sale or, issuance or purchase, cause a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee to be provided by (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organised in any jurisdiction other than the PRC (other than any Exempted Subsidiaries and any Listed Subsidiaries) to guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes, if the following conditions are satisfied or complied with:

- (a) concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Security Trustee:

- (i) a duly executed guarantee of such JV Subsidiary Guarantor (a “**JV Subsidiary Guarantee**”) and each Subsidiary of such JV Subsidiary Guarantor that is not organised under the laws of the PRC, which provides, among other things, that the aggregate claims of the Security Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor;
 - (ii) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (iv) a legal opinion by a law firm of recognised international standing confirming that under English law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock; and
 - (c) as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (ii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant JV Subsidiary Guarantor (including where such sale results in the relevant JV Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Trust Deed, including, without limitation, Condition 6(B), Condition 6(D) and Condition 6(I).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with Condition 6(I).

No release of a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Security Trustee or the Holders until the Issuer has delivered to the Security Trustee an Officers’ Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by the Trust Deed.

(C) Security

(1) Security

On or prior to the Original Issue Date:

- (i) the Company has, for, *inter alia*, the benefit of the holders of the Notes, caused the holder of the Capital Stock of the Issuer and otherwise the initial Subsidiary Guarantor Pledgors to charge in favour of, *inter alia*, the Security Trustee the Capital Stock of: (a) the Issuer (the “**Issuer Share Charge**”); and (b) the initial Subsidiary Guarantors, other than that of R&F HK (the “**Subsidiary Share Charge**” and, together with the Issuer Share Charge, the “**Share Charges**”); and
- (ii) the Issuer has, for the benefit of the holders of the Notes, charged in favour of the Security Trustee the US dollar account (the “**Interest Reserve Account**”) established in the name of the Issuer with Citibank, N.A. (the “**Account Bank**” which term shall, where the context so permits, include all other persons for the time being acting as account bank under the Account Bank Agreement) (the “**Charge Over Account**”),

in each case, in order to secure the obligations of, *inter alia*, the Issuer under the Notes and the Trust Deed and of the initial Subsidiary Guarantor Pledgors under the Subsidiary Guarantees in accordance with, and subject to, the terms of the Trust Deed and the Intercreditor Agreement (in the case of the Share Charges), and, in the case of the Share Charges, subject to Permitted Liens and *pari passu* sharing described in Condition 4(C)(2).

The initial Subsidiary Guarantor Pledgors are R&F HK, R&F Properties (BVI) Co., Ltd (富力地產(BVI)有限公司), Peace Extend Investments Limited (安弘投資有限公司), Perfect City Investments Limited (佳城投資有限公司), Ease Glory International Limited (逸榮國際有限公司), Smart Keen International Limited (智建國際有限公司), East Global Industries Limited, Link City Limited (聯城有限公司), Silver Mac Energy Investment Ltd., O&C Property Development Ltd., Maxview Investments Limited (盛景投資有限公司), Gain Choice Holdings Limited (景擇控股有限公司), Jinbo Investments Limited (晉博投資有限公司), Radiant Ace Global Limited (耀峰環球有限公司), City Step Investments Limited (城階投資有限公司), Pilot Star Investments Limited (領星投資有限公司), Skill Smart Investments Limited (巧明投資有限公司), Profit Range Holdings Limited (潤巒控股有限公司), Rich Victor Investments Limited (富凱投資有限公司) and Yield Charm Investments Limited (益創投資有限公司).

None of the Capital Stock of the PRC Restricted Subsidiaries or the Initial Offshore Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future (unless such Initial Offshore Non-Guarantor Subsidiary becomes a Subsidiary Guarantor after the Original Issue Date).

In addition, the Company shall, for the benefit of, *inter alia*, the holders of the Notes, cause each Subsidiary Guarantor, other than a JV Subsidiary Guarantor, to pledge the Capital Stock of any Person that becomes a Subsidiary Guarantor after the Original Issue Date and which is directly owned by such Subsidiary Guarantor, as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of, *inter alia*, the Issuer under the Notes and the Trust Deed and the obligations of the Subsidiary Guarantor Pledgors under the Subsidiary Guarantees, in the

manner described above. Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “**Future Subsidiary Guarantor Pledgor**” and, upon giving such pledge, will be a “**Subsidiary Guarantor Pledgor**”.

If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor shall be pledged to secure the obligations of, *inter alia*, the Company under the Notes and the Trust Deed and the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, no JV Subsidiary Guarantor will be obliged to provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favour of, *inter alia*, the Security Trustee.

The Company shall also, as soon as practicable, grant a charge of the Capital Stock of R&F HK in favour of, *inter alia*, the Security Trustee (the “**R&F HK Share Charge**”) and perfect the security created and given thereunder following any change in law or regulation in the PRC on or after the Original Issue Date, the effect of which means that (i) the R&F HK Share Charge may be granted without unreasonable cost or burden to the Company or R&F HK and (ii) the R&F HK Share Charge will create valid, binding and enforceable obligations on the Company.

The benefit of the Liens evidenced or created by the Security Documents in accordance with Condition 4(C)(1)(i) are shared with the holders of the Notes and the 2020 Notes and any other Permitted *Pari Passu* Secured Indebtedness (as defined below) (or their respective representatives) pursuant to the terms of the Intercreditor Agreement, as described in Condition 4(C)(3) below.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Trust Deed, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

(2) Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Liens for the benefit of, *inter alia*, the Holders (including the Option Notes and Additional Notes issued in accordance with Condition 16) to secure Indebtedness of the Company or any Subsidiary Guarantor and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Subsidiary Guarantee, “**Permitted Pari Passu Secured Indebtedness**”); *provided that* (a) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under Condition 6(A); (b) except in the case of the Option Notes and Additional Notes, the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to in Condition 4(C)(3); (c) the agreement in respect of such Indebtedness contains provisions with respect to releases of the Collateral and such *Pari Passu* Subsidiary Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Trust Deed and the Security Documents; and (d) the Company and such Subsidiary Guarantor Pledgor promptly deliver to the Security Trustee an Opinion of Counsel and an Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, each in form and substance satisfactory to the Security Trustee. The Security Trustee is permitted and authorised, without the consent of any

Holder, to enter into any amendments or supplements to the Security Documents, the Intercreditor Agreement (if applicable) or the Trust Deed and to take any other action necessary or desirable to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this Condition 4(C)(2) (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to in Condition 4(C)(3) to hold the Collateral on behalf of the Holders and the holders of Permitted *Pari Passu* Secured Indebtedness).

Except for certain Permitted Liens and the Permitted *Pari Passu* Secured Indebtedness, the Company and its Restricted Subsidiaries are not permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of the Holders by way of an Extraordinary Resolution.

(3) Intercreditor Agreement

Big Will Investments Limited, Caifu Holdings Limited, Trillion Chance Limited, the initial Subsidiary Guarantor Pledgors, the 2020 Notes Trustee, the 2020 Notes Security Trustee and Citicorp International Limited as collateral agent (the “**Collateral Agent**”) and certain other secured parties entered into an intercreditor agreement on 24 January 2013 (the “**Intercreditor Agreement**”, as supplemented and acceded to from time to time) pursuant to which the parties thereto agreed, among other things, that (a) the parties shall share equal priority and pro rata entitlement in and to the Collateral; (b) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (c) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

The Security Trustee, as representative of the Holders, will, without requiring any instruction or consent from the Holders, accede to the Intercreditor Agreement by entering into a supplement to the Intercreditor Agreement on or about the Original Issue Date.

Prior to the Incurrence of any future Permitted *Pari Passu* Secured Indebtedness (other than the Option Notes and Additional Notes), the holders of such Permitted *Pari Passu* Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement to include the holders of such Permitted *Pari Passu* Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the terms of the Intercreditor Agreement (and any supplements, amendments or modifications thereto), the execution by the Trustee and the Security Trustee of the supplement to the Intercreditor Agreement and any future intercreditor agreement required under the Trust Deed, in each case in such form as may be approved by the Trustee and the Security Trustee and without the need for any further consent or sanction of the Holders in relation thereto.

The Collateral Agent is entitled to enter into business transactions with the Issuer, R&F HK and the Company and any entity related (directly or indirectly) to the Issuer, R&F HK or the Company without accounting for any profit. The Collateral Agent shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice to the contrary, the Collateral Agent shall be entitled assume that the same are being duly performed. The rights obligations of the Collateral Agent shall be further described in the Intercreditor Agreement.

(4) *Enforcement of Security*

The Collateral Agent has agreed to act on behalf of the Security Trustee, the Trustee, the 2020 Notes Trustee, the 2020 Notes Security Trustee and the holders of any Permitted *Pari Passu* Secured Indebtedness (or their representatives or any trustee acting on their behalf) (collectively, the “**Secured Parties**”) and to follow the instructions of the Secured Parties subject to, and in accordance with, the terms of the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement provides, among other things, that each Secured Party may notify the Collateral Agent in writing that such Secured Party intends to initiate enforcement action against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the other Secured Parties have not agreed to initiate enforcement, then 30 days after the non-enforcing parties have been notified of the intent to initiate enforcement action against the Collateral, the enforcing party may notify the Collateral Agent in writing and shall be entitled to initiate enforcement action in accordance with the terms of the Intercreditor Agreement; *provided that* all notification with respect to the further timing and manner of any action following such enforcement action against the Collateral shall be given in writing by the Secured Parties.

All payments received and all amounts held by the Collateral Agent pursuant to, and in accordance with, the Intercreditor Agreement shall be applied as follows:

- (i) first, to the Collateral Agent and the Security Trustee, the Trustee, the 2020 Notes Trustee, the 2020 Notes Security Trustee and the representatives of the holders of any Permitted *Pari Passu* Secured Indebtedness (in each case, acting for themselves) on a *pari passu* and pro rata basis to the extent necessary to reimburse such parties for any expenses incurred in connection with the collection or distribution of such amounts held or realised or in connection with expenses incurred in enforcing their remedies under the Intercreditor Agreement and/or the relevant security documents referred to therein and/or preserving the Collateral and all amounts for which such parties are lawfully entitled thereto;
- (ii) second, to be applied for the benefit of the Holders and the holders of the 2020 Notes and, to the extent applicable, the holders of any further Permitted *Pari Passu* Secured Indebtedness on a *pari passu* basis; and
- (iii) third, any surplus remaining after such payments shall be paid to the Issuer or the Subsidiary Guarantor Pledgors or to whomsoever may be lawfully entitled thereto.

Subject to the terms of the Intercreditor Agreement, the Security Trustee and/or the Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or pre-funding to its satisfaction. In addition, the Security Trustee’s and/or the Collateral Agent’s ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realisation of the Security Trustee’s Liens on the Collateral. None of the Security Trustee, the Collateral Agent or any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realise upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

This Condition 4(C)(4) shall be subject to any amendments to the Security Documents or the Trust Deed to permit the creation of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with Condition 4(C)(2).

(5) Discharge of Security

The security created in respect of the Interest Reserve Account granted under the Charge Over Account and, subject to the terms of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents shall be discharged as soon as reasonably practicable upon the occurrence of the following:

- (i) all amounts due and payable under the Notes, the Trust Deed and the Agency Agreement have been paid in full;
- (ii) a defeasance as set out in Condition 7;
- (iii) with respect to such security, dispositions of the Collateral, in compliance with Condition 6(D) or Condition 6(I) or in accordance with Condition 6(J);
- (iv) with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor (other than R&F HK) in accordance with the terms of the Trust Deed;
- (v) in connection with and upon execution of a JV Subsidiary Guarantee, all pledges of Capital Stock granted by the JV Subsidiary Guarantor and its direct and indirect Subsidiaries shall be released; or
- (vi) with respect to a Subsidiary Guarantor (other than R&F HK) that becomes a New Offshore Non-Guarantor Subsidiary in compliance with these Conditions and the terms of the Trust Deed, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Offshore Non-Guarantor Subsidiary.

5 Redemption and purchase

(A) Maturity

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount on 13 January 2022 (the “**Maturity Date**”). The Issuer may not redeem the Notes at its option prior to that date except as provided in Conditions 5(B), 5(F) and 5(G) below (but without prejudice to Condition 11).

(B) Redemption for taxation reasons

At any time the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 17 (which notice shall be irrevocable) redeem all, but not some only, of the Notes at a redemption price equal to 100% of their principal amount (together with interest accrued and unpaid to the date fixed for redemption and including any additional amounts as referred to in Condition 10) if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer, a Surviving Person or R&F HK or any other Subsidiary Guarantor or any JV Subsidiary Guarantor has or will become obliged to pay additional amounts as referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of

any jurisdiction in which the Issuer, such Surviving Person, the Company, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor is organised or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “**Relevant Jurisdiction**”) or any change in the general application or official interpretation of such laws or regulations (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective (a) with respect to the Issuer, R&F HK or any other initial Subsidiary Guarantor, on or after the Original Issue Date, or (b) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person (as the case may be) and (ii) such obligation cannot be avoided by the Issuer, such Surviving Person, the Subsidiary Guarantor or the JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, such Surviving Person, R&F HK or other such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the giving of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer, such Surviving Person, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised standing with respect to tax matters and acceptable to the Trustee to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

(C) Purchases

The Issuer, the Company or any of the Company’s Subsidiaries may at any time and from time to time purchase Notes at any price in the open market or otherwise

(D) Cancellation

All Notes which are redeemed or purchased by the Issuer, the Company or any of the Company’s Subsidiaries will forthwith be cancelled. Certificates in respect of all Notes cancelled will be forwarded to or to the order of the Registrar and such Notes may not be reissued or resold.

(E) Change of control

Upon the occurrence of a Change of Control Triggering Event, each Holder shall have the right to require that the Issuer to make an offer to repurchase all, but not some only, of such Holder’s Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (without prejudice to the right of Holders of record on the relevant Interest Record Date to receive interest due on the relevant Interest Payment Date).

Within 30 days following any Change of Control Triggering Event, the Issuer will give notice to the Holders in accordance with Condition 17 with a copy to the Trustee (the “**Change of Control Offer**”) stating:

- (1) that a Change of Control Triggering Event has occurred and that each Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant Interest Record Date to receive interest on the relevant Interest Payment Date);
- (2) the circumstances and relevant facts regarding such Change of Control Triggering Event;
- (3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is given); and
- (4) the instructions, as determined by the Issuer, consistent with this Condition 5(E), that a Holder must follow in order to have its Notes purchased. The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of any securities laws or regulations and the rules of any stock exchange on which the Notes are listed from time to time in connection with the repurchase of notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations or stock exchange rules conflict with the provisions of this Condition 5(E), the Issuer will comply with the applicable securities laws and regulations and stock exchange rules and shall not be deemed to have breached its obligations under this Condition 5(E) by virtue of its compliance with such securities laws or regulations or stock exchange rules.

None of the Trustee, the Security Trustee or the Agents shall be required to take any steps to ascertain whether a Change of Control Triggering Event or a Change of Control Offer or any event which could lead to a Change of Control Triggering Event or a Change of Control Offer has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. None of the Trustee, the Security Trustee or the Agents shall be required to take any steps to ascertain whether the condition for the exercise of the rights of Holders in accordance with this Condition 5(E) has occurred. None of the Trustee, the Security Trustee or the Agents shall be responsible for determining or verifying whether a Note is to be accepted for redemption under this Condition 5(E) and will not be responsible to Holders for any loss or liability arising from any failure by it to do so. None of the Trustee, the Security Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 5(E) and will not be responsible to Holders for any loss arising from any failure by it to do so.

(F) Make whole redemption

At any time prior to 13 January 2020, the Issuer may redeem the Notes, in whole but not in part only, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium plus accrued and unpaid interest to such redemption date.

None of the Trustee, the Security Trustee or the Agents shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 5(F) or for determining or verifying whether a Note is to be accepted for redemption under this Condition 5(F) and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so.

(G) Optional Redemption

At any time and from time to time on or after 13 January 2020, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 13 January of each of the years indicated below.

Period	<u>Redemption Price</u>
2020	102.875%
2021	101.4375%

The Issuer will give not less than 30 days' nor more than 60 days' notice of any such redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (a) if the Notes are listed on any recognised securities exchange, in accordance with the procedures, as notified to it in writing by the Issuer, of the principal recognised securities exchange on which the Notes are listed; or
- (b) if the Notes are not listed on any recognised securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If the Notes are to be redeemed in part only, the notice of redemption relating to such Notes will state the portion of the principal amount to be redeemed and a new Certificate shall, upon cancellation of the original Certificate, be issued to each relevant Holder to reflect the principal amount of its Notes not so redeemed. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption. The Trustee shall not be liable for relying on the procedures notified to it by the Issuer pursuant to clause (a) above of this Condition 5(G).

6 Covenants

(A) Limitation on indebtedness and preferred stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* (x) the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (y) any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (i) no Default has occurred and is continuing and (ii) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

- (2) Notwithstanding Condition 6(A)(1), the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):
- (a) Indebtedness under (i) the Notes (including any Option Notes but excluding any Additional Notes issued in accordance with Condition 16), (ii) the Subsidiary Guarantees and (iii) the JV Subsidiary Guarantees (if any);
 - (b) any *Pari Passu* Subsidiary Guarantee;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided that* such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness;
 - (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided that* (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this Condition 6(A)(2)(d); and (y) if the Issuer is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Notes, or if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Issuer or any other Subsidiary Guarantor or JV Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under Conditions 6(A)(1); Condition 6(A)(2)(a), Condition 6(A)(2)(b), Condition 6(A)(2)(c), Condition 6(A)(2)(h) or Condition 6(A)(2)(o) in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which is used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees shall only be permitted under this Condition 6(A)(2)(e) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, such new Indebtedness, by its terms or by the terms of any agreement or instrument

pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this Condition 6(A)(2)(e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (x) and (y) in this Condition 6(A)(2)(h) (I) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (II) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (III) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this Condition 6(A)(2)(h) (together with refinancings thereof, and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within five business days of Incurrence;
- (m)
 - (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this Condition 6(A),
 - (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under Conditions 6(A)(2)(c), 6(A)(2)(d), 6(A)(2)(f), 6(A)(2)(h), 6(A)(2)(n) or 6(A)(2)(s), or
 - (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this Condition;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this Condition 6(A)(2)(n) at any time outstanding does not exceed US\$50 million (or the Dollar Equivalent thereof);

- (o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30 million (or the Dollar Equivalent thereof);
- (p) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this Condition 6(A)(2)(q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(r), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions or this Condition 6(A)(2)(q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person engaged in the Permitted Business (other than the Company or a Restricted Subsidiary), *provided that* the aggregate of all Indebtedness Incurred under this Condition 6(A)(2)(r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (s) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided that* on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness permitted by this Condition 6(A)(2)(s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (t) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this Condition 6(A)(2)(t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and
 - (u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this Condition 6(A)(2)(u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s) and 6(A)(2)(t) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets.
- (3) For purposes of determining compliance with this Condition 6(A), in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described under the proviso in Condition 6(A)(1) and in Condition 6(A)(2), the Issuer, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness as one or more of such types.

(B) Limitation on restricted payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in Conditions 6(B)(1) to 6(B)(4) (both inclusive) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary;

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

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

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1), provided, however, this clause (b) shall not apply to any Restricted Payment consisting solely of dividends declared or paid in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company listed on The Stock Exchange of Hong Kong Limited, if, during any fiscal year of the Company, the aggregate amount of (x) any and all such dividends declared and paid on such Common Stock and (y) the consideration paid for all such repurchased Common Stock does not exceed 25% of the consolidated profit for the year of the Company calculated in accordance with GAAP for the fiscal year immediately prior to such fiscal year; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after 1 January 2011, shall exceed the sum (without duplication) of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) since 1 January 2011 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case excluding the amount of any

such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (w) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (x) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) to the extent that an Investment made after the Measurement Date was, or after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (A) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (B) the initial amount of such Investment, or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person or Unrestricted Subsidiary; plus
- (v) US\$30 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (I) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (II) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (III) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that is utilised for any such Restricted Payment will be

excluded from Condition 6(B)(c)(ii), provided further that any item that has been excluded pursuant to Condition 6(B)(c)(ii) will not be excluded again as a result of the proviso in this Condition 6(B)(III);

- (IV) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from Condition 6(B)(c)(ii), provided further that any item that has been excluded pursuant to Condition 6(B)(c)(ii) will not be excluded again as a result of the proviso in this Condition 6(B)(IV);
- (V) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary that is not, directly or indirectly, Wholly-Owned by the Company payable, on a pro rata basis, or on a basis more favourable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (VI) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;
- (VII) the repurchase of Capital Stock of the Company by the Company in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$10 million (or the Dollar Equivalent thereof);
- (VIII) the repurchase, redemption or other acquisition of Capital Stock of the Company from employees, former employees, directors or former directors of the Company or any Restricted Subsidiary (or their estate or authorized representatives) upon the death, disability or termination of employment of such employees or directors pursuant to agreements or plans (including employment agreements and share option plans) approved by the board of directors of the Company in an aggregate amount not to exceed US\$1.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Company;
- (IX) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiaries held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under Condition 6(A)(2)(q);
- (X) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, *provided that* any such cash payment shall not be for the purpose of evading this Condition 6(B) (as determined in good faith by the Board of Directors of the Company);
- (XI) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly-Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided that* (1) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or

land use rights it was formed to acquire and (2) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is not more than the Fair Market Value of such Capital Stock; or

(XII) the declaration and payment of dividends on the Common Stock of the Company by the Company with respect to the fiscal year ended 31 December 2016, to the extent such amounts do not exceed 40% of the Company's net profits in such financial year determined in conformity with GAAP,

provided further that, in the case of Conditions 6(B)(II), 6(B)(III) and 6(B)(IV) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to Condition 6(B)(I) shall be included in calculating whether Condition 6(B)(c) has been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this Condition 6(B) will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an Independent Financial Advisor if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof), except with respect to any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in Condition 6(B)(V) through Condition 6(B)(XI) and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Condition 6(B) were computed, together with a copy of any fairness opinion or appraisal required by the Trust Deed.

(C) Limitation on dividend and other payment restrictions affecting restricted subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

- (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
- (c) make loans or advances to the Company or any other Restricted Subsidiary; or
- (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock issued in accordance with Condition 6(A) in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) Condition 6(C)(1) does not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Trust Deed, the Security Documents or any *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor or JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in Condition 6(C)(1)(d) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or licence, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any

Restricted Subsidiary not otherwise prohibited by the Trust Deed or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Conditions 6(A), 6(D) and 6(I);
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under Condition 6(A)(2)(h) or permitted under Conditions 6(A)(2)(n), 6(A)(2)(o), 6(A)(2)(p), 6(A)(2)(q), 6(A)(2)(s), 6(A)(2)(t) or 6(A)(2)(u) if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make any required payment on the Notes, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, *provided that* the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of these Conditions and the Trust Deed at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

(D) Limitation on sales and issuances of capital stock in restricted subsidiaries

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

- (1) to the Company or a Wholly-Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favourable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly-Owned Restricted Subsidiary;
- (3) for the sale of all or part of the Capital Stock in a Restricted Subsidiary to a Trust Company Investor if permitted under, and made in accordance with, Condition 6(I);
- (4) for the sale of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, Condition 6(I);
- (5) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by Condition 6(B) if made on the date of such issuance or sale and *provided that* the Company applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 6(I), provided further that paragraph (v) of clause (16) of the definition of "**Permitted Investment**" shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition; and
- (6) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 6(I).

(E) Limitation on issuances of guarantees by restricted subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless: (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full; or (2) such guarantee and such Guaranteed Indebtedness are permitted by Conditions 6(A)(2)(c), 6(A)(2)(d), 6(A)(2)(m)(ii) (other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary) or 6(A)(2)(s) (with respect to the Guarantee provided by any Non-Guarantor Subsidiary through the pledge of one or more bank accounts, deposits or other assets to

secure (or the use of any guarantee or letter of credit or similar instrument to guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor).

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

(F) Limitation on transactions with shareholders and affiliates

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

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favourable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or any Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate of the Company certifying that such Affiliate Transaction complies with this Condition 6(F) and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in Condition 6(F)(2)(a), an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

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

- (i) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

- (ii) transactions between or among the Company and any of its Wholly-Owned Restricted Subsidiaries or between or among Wholly-Owned Restricted Subsidiaries of the Company;
- (iii) any Restricted Payment of the type described in Conditions 6(B)(1), 6(B)(2) or 6(B)(3) if permitted by Condition 6(B);
- (iv) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the Hong Kong Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (v) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (vi) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Restructuring, including, without limitation, transactions entered into for purposes of any reorganisation in connection with the Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Restructuring; and
- (vii) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Restructuring, or any amendment, modification, extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Restructuring and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of Condition 6(F)(2) shall not apply to (i) Investments (other than Permitted Investments) not prohibited by Condition 6(B), (ii) Investments in any Person made under clause (16) of the definition of “**Permitted Investments**”, *provided that* such Investment is on a pro rata basis (or on a basis more favourable to the Company or the JV Subsidiary Guarantee, as the case may be, than on a pro rata basis) to the interest the Company or any of its Restricted Subsidiary has in such Person at the time of such Investment as compared to the other shareholders or partners of such Person, (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (iv) any transaction between or among any of the Company, a Wholly-Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly-Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided that* in the case of (iv), (x) such transaction is entered into in the ordinary course of business and (y) none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture is a Person described in clause (a) or (b) of the first paragraph of this Condition 6(F) (other than by reason of such shareholder or partner being a director or officer of such Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture).

(G) Limitation on liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (except the Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral and the Charge Over Account), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with the Indebtedness secured by such Lien.

(H) Limitation on sale and leaseback transactions

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

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under Condition 6(A) and (b) incurred a Lien to secure such Indebtedness pursuant to Condition 6(G), in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, Condition 6(I).

(I) Limitation on asset sales

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

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash or Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$35 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor.

For purposes of this Condition 6(I), each of the following will be deemed to be cash:

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

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

- (i) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (ii) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in (i) and (ii) in the immediately preceding paragraph will constitute "**Excess Proceeds**". Excess Proceeds of less than US\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company or the Issuer must make an Offer to Purchase (in accordance with this Condition 6(I) and the Trust Deed) the Notes having a principal amount equal to:

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

rounded down to the nearest US\$1,000. The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Issuer will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be repaid or redeemed). Upon completion of each Offer to Purchase the Notes, the amount of Excess Proceeds will be reset to zero.

Pending applications of the Net Cash Proceeds or Excess Proceeds pursuant to this Condition 6(I), such Net Cash Proceeds or Excess Proceeds shall be invested in Temporary Cash Investments.

(J) Limitation on consolidation and merger

- (x) None of the Issuer, the Company or R&F HK will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:
- (1) the Issuer, the Company or R&F HK, as the case may be, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organised and validly existing under the laws of the British Virgin Islands or Hong Kong or any jurisdiction thereof and shall expressly assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer, the Company or R&F HK, as the case may be, under the Trust Deed, the Notes, the relevant Security Documents, the Charge Over Account, the Keepwell Deed, the Account Bank Agreement and the Equity Interest Purchase Undertaking to which it is a party, as the case may be, and the Trust Deed, the Notes, the relevant Security Documents, the Charge Over Account, the Keepwell Deed, the Account Bank Agreement and the Equity Interest Purchase Undertaking to which it is a party, as the case may be, shall remain in full force and effect;
 - (2) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer, the Company or R&F HK, as the case may be, immediately prior to such transaction;
 - (4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1);
 - (5) the Issuer, the Company or R&F HK, as the case may be, delivers to the Trustee (a) an Officers' Certificate of the Issuer, the Company or R&F HK, as the case may be, (attaching the arithmetic computations to demonstrate compliance with Conditions 6(J)(x)(3) and 6(J)(x)(4)) and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this Condition 6(J) and that all conditions precedent provided for herein relating to such transaction have been complied with;
 - (6) each other Subsidiary Guarantor and each JV Subsidiary Guarantor, unless such other Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Issuer or the Company, as the case may be, has entered into a transaction described under this Condition 6(J) shall execute and deliver a

supplemental trust deed to the Trust Deed confirming that its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Trust Deed; and

- (7) no Rating Decline shall have occurred.
- (y) No other Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or JV Subsidiary Guarantor), unless:
 - (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor, concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor);
 - (2) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
 - (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1);
 - (5) the Company delivers to the Trustee (x) an Officers' Certificate of the Company (attaching the arithmetic computations to demonstrate compliance with Conditions 6(J)(y)(3) and 6(J)(y)(4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental trust deed complies with this Condition 6(J) and that all conditions precedent provided for herein relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred,

provided that this paragraph shall not apply to any sale or other disposition that complies with Condition 6(I) or any Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, whose Guarantee is unconditionally released in accordance with the provisions described under Condition 4(A).

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

(K) Limitation on business activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Business as long as any Investment therein was not prohibited when made by Condition 6(B).

(L) Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the section “**Use of Proceeds**” in the Offering Memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

(M) Designation of restricted and unrestricted subsidiaries

For so long as any of the Notes remain outstanding, the Issuer and R&F HK shall at all times be designated and construed as Restricted Subsidiaries.

Subject to the aforesaid, the Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred, or be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified Stock or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or Lien on any property of the Company or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under Condition 6(A) or such Lien would violate Condition 6(G); (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by Condition 6(B) (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group upon the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries in connection with the Restructuring, *provided that* (A) the Board of Directors has determined in good faith that the designation of such Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (B) at the time of such designation, such Subsidiaries remain Subsidiaries of the Company, and (C) at the time of such designation, such Subsidiaries remain primarily engaged in the businesses other than property development business).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (a) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding

at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by Condition 6(A); (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by Condition 6(G); (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (e) if such Restricted Subsidiary is not organised under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental trust deed to the Trust Deed by which such Restricted Subsidiary shall become a Subsidiary Guarantor.

(N) Government approvals and licences; compliance with law

The Company will, and will cause each Restricted Subsidiary to (1) obtain and maintain in full force and effect all governmental approvals, authorisations, consents, permits, concessions and licences as are necessary to engage in the Permitted Business, (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Trust Deed the Agency Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement, the Charge Over Account or the Security Documents.

(O) Anti-layering

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

(P) Provision of financial information

- (1) So long as any of the Notes remain outstanding, the Issuer will deliver to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than ten calendar days after they are filed with the Stock Exchange or any other recognised exchange on which the Company's Common Stock at any time is listed for trading, true and correct copies of any financial or other report in the English language filed by the Company with such exchange; *provided that* if at any time the Common Stock of the Company ceases to be listed for trading on a recognised exchange, the Issuer will deliver to the Trustee and furnish to the Holders:

- (a) as soon as they are available, but in any event within 120 days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognised firm of independent accountants;
- (b) as soon as they are available, but in any event within 60 days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognised firm of independent accountants; and
- (c) as soon as they are available, but in any event within 45 days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statement (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorised to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

So long as any of the Notes remain outstanding, the Issuer will deliver to the Trustee and furnish to the Holders upon request:

- (a) as soon as they are available, but in any event within 120 days after the end of the fiscal year of the Company ending after the Original Issue Date, copies of the financial statements of R&F HK (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants; and
 - (b) as soon as they are available, but in any event within 90 days after the end of the second financial quarter of the Company ending after the Original Issue Date, copies of the financial statements of R&F HK (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants.
- (2) In addition, so long as any of the Notes remain outstanding, the Issuer will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate of the Issuer stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Issuer or the Company becomes aware or should reasonably

become aware of the occurrence of a Default, an Officers' Certificate of the Issuer setting forth the details of the Default, and the action which the Issuer or the Company, as the case may be, proposes to take with respect thereto.

(Q) Covenants in respect of the Issuer and/or R&F HK

Notwithstanding anything contained in these Conditions or the Trust Deed to the contrary:

- (1) The Issuer shall not engage in any business activity or undertake any other activity, except any activity:
 - (a) relating to the offering, sale or issuance of the Notes (including the Option Notes and Additional Notes, if any), the Incurrence of Indebtedness represented by the Notes and any other activities in connection therewith;
 - (b) undertaken with the purpose of fulfilling any obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Account Bank Agreement, the Charge Over Account or the Security Documents (subject to Permitted Liens and *pari passu* sharing described in Condition 4(C)(2));
 - (c) relating to the offering, sale or issuance of any Permitted *Pari Passu* Secured Indebtedness pursuant to the Trust Deed, the Incurrence of Indebtedness represented thereby and any other activities in connection therewith, *provided that* such Permitted *Pari Passu* Secured Indebtedness is issued pursuant to a structure substantially similar to the Notes (including entry into documentation substantially similar to the Keepwell Deed and the Equity Interest Purchase Undertaking); or
 - (d) directly related to the establishment and/or maintenance of the Issuer's corporate existence.
- (2) The Issuer shall not (a) issue any Capital Stock or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than to fund the Issuer's obligations under the Notes or any Permitted *Pari Passu* Secured Indebtedness of the type described under Condition 6(Q)(1)(d).
- (3) R&F HK shall at all times remain a Wholly-Owned Restricted Subsidiary of the Company, whether directly or indirectly, and the Issuer shall at all times remain a Wholly-Owned Restricted Subsidiary of the Company, whether directly or indirectly.
- (4) The Company shall procure R&F HK to, and R&F HK shall, use all reasonable efforts to meet its obligations under the Subsidiary Guarantee prior to the Maturity Date.
- (5) For so long as any Notes are outstanding, none of the Issuer, R&F HK, or the Company will commence or take any action to cause a winding-up or liquidation of the Issuer or R&F HK, as applicable.

(R) Covenants in respect of the Company

The Company agrees that it shall comply with and be bound by, and procure each of the Issuer, R&F HK and the other Restricted Subsidiaries to comply with and be bound by, the provisions contained in these Conditions, the Trust Deed, the Equity Interest Purchase Undertaking, the Charge Over Account and the Security Documents subject to the prevailing obligations under Condition 6(T).

(S) Covenants in respect of the Collateral and the Interest Reserve Account

- (1) In connection with the Interest Reserve Account and the Account Bank Agreement, the Issuer agrees that:
 - (a) on the Original Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account an amount equal to one interest payment on the Firm Notes;
 - (b) on the issue date(s) of any Option Notes, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account an amount equal to one interest payment on such Option Notes;
 - (c) so long as there has not occurred any Default, the Issuer may by written notice to the Account Bank direct the Account Bank to release such amount of the Reserve Fund in the Interest Reserve Account to the Principal Agent for payment of any interest due and payable under the Notes;
 - (d) the Issuer shall, after each withdrawal is made pursuant to paragraph (b) above and the Account Bank Agreement, deposit a US dollar amount into the Interest Reserve Account within 30 days after the relevant withdrawal to ensure that the Reserve Fund after such deposit shall be no less than the Minimum Balance as of the deposit date;
 - (e) upon the Notes becoming due and payable following the occurrence of an Event of Default under the Notes, the Reserve Fund shall be solely to the order of the Security Trustee for the benefit of the Holders and the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Security Trustee, which shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed; and
 - (f) upon the redemption or purchase and cancellation of the Notes in full, the Account Bank shall release the Reserve Fund to the Issuer in accordance with the Account Bank Agreement.
- (2) For so long as the Notes are outstanding, each of the Issuer, the Company and R&F HK shall not, and the Company shall procure that each of the Issuer and R&F HK does not, assign or novate or otherwise dispose of their respective rights or obligations in respect of the Capital Stock of the Issuer, the Account Bank Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking and the Interest Reserve Account, as the case may be, other than the security created pursuant to the Charge Over Account and the Security Documents.

- (3) Each of the Issuer, the Company and R&F HK shall, and the Company shall procure that each of the Issuer and R&F HK will, execute, file and register all such additional documents, instruments, agreements, certificates and assurances and do all such other acts and things (including the payment of all fees, costs and charges) necessary or desirable to effect the delivery, filing and registration of the Charge Over Account and the Security Documents for the perfection of the Liens and security interests created under the Charge Over Account and the Security Documents.

(T) Prevailing Obligations

All of the other provisions of these Conditions and the Trust Deed shall be read and construed subject to the first paragraph of Condition 6(M) and Conditions 6(Q), 6(R) and 6(S). To the extent there is any inconsistency, the first paragraph of Condition 6(M) and Conditions 6(Q), 6(R) and 6(S) shall always prevail.

7 Defeasance

The Trust Deed will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 366th day after the deposit referred to below, and the provisions of the Trust Deed will no longer be in effect with respect to the Notes (except for certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agents and to hold monies for payment in trust and other matters described in the Trust Deed) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee, in trust, money and/or US Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes and (b) delivers to the Trustee and the Security Trustee an Opinion of Counsel or a certificate of an internationally-recognised firm of independent accountants, in each case, acceptable to the Trustee and the Security Trustee, to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Conditions;
- (2) the Issuer has delivered to the Trustee and the Security Trustee in form and substance acceptable to the Trustee and the Security Trustee (a) either (i) an Opinion of Counsel of recognised international standing acceptable to the Trustee and the Security Trustee with respect to US federal income tax matters which is based on a change in applicable US federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognise income, gain or loss for US federal income tax purposes as a result of the Issuer's exercise of its option under this Condition 7 and will be subject to US federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee and the Security Trustee received from the US Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, (b) an Opinion of Counsel of recognised international standing acceptable to the Trustee and the Security Trustee to the effect that the creation of the defeasance trust does not violate the US Investment Company Act of 1940, as amended, and after the passage of 183 days

following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law and (c) an Opinion of Counsel acceptable to the Trustee and the Security Trustee to the effect that after the passage of 366 days following the deposit, the trust fund will not be subject to the effect of Articles 31 and 32 of the PRC Enterprise Bankruptcy Law; and

- (3) immediately after giving effect to such deposit on a pro forma basis, no Default shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer, the Company or any of its Restricted Subsidiaries is a party or by which the Issuer, the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and the JV Subsidiary Guarantees, insofar as they relate to payments under the Notes, will terminate. For the avoidance of doubt, the provisions of the Trust Deed relating to the appointment of the Trustee and the Security Trustee, the rights, powers, authorities and discretions of the Trustee and the Security Trustee, the remuneration and indemnification of the Trustee and the Security Trustee and provisions therein for the protection of the Trustee and the Security Trustee and/or limiting the obligations and/or liability of the Trustee shall remain in full force and effect notwithstanding any such deposit or defeasance as aforesaid.

The Trust Deed further provides that:

- (A) the provisions of the Trust Deed will no longer be in effect with respect to:

- (i) clauses (3), (4), (5)(a) and (7) under Condition 6(J)(x);
- (ii) clauses (3), (4), (5)(x) and (6) under Condition 6(J)(y); and
- (iii) all of the covenants described herein under Condition 6,

other than those clauses of Condition 6(J) noted in this Condition 7 and other than as described under Condition 6(N) and Condition 6(A)(4), and

- (B)

- (1) clause (iii) under Condition 11 with respect to such clauses (3), (4), (5)(a) and (7) under Condition 6(J)(x) and clauses (3), (4), (5)(x), and (6) under Condition 6(J)(y) and with respect to the other events set forth in such clause (iii) under Condition 11;
- (2) clause (iv) under Condition 11 with respect to such other covenants; and
- (3) clauses (v) and (vi) under Condition 11,

shall be deemed not to be Events of Default,

upon, among other things, the deposit with the Trustee, in trust, of money, US Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes, the satisfaction of the

provisions described in Condition 7(2)(b) and the delivery by the Issuer to the Trustee and the Security Trustee, in form and substance satisfactory to the Trustee and the Security Trustee, of an Opinion of Counsel of recognised standing acceptable to the Trustee and the Security Trustee with respect to US federal income tax matters to the effect that beneficial owners will not recognise income, gain or loss for US federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to US federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

In the event the Issuer exercises its option to omit compliance with certain covenants and provisions of the Trust Deed with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default, the Issuer will remain liable for any amounts due on the Notes at the time of the acceleration resulting from such Event of Default.

8 Interest

(A) Interest rate and interest payment dates

The Notes bear interest from 13 January 2017. The rate of interest of the Notes is 5.75 per cent. per annum (the “**Interest Rate**”). Interest is payable semi-annually in arrear on 13 January and 13 July in each year (each an “**Interest Payment Date**”) commencing 13 January 2017. In these Conditions, the period beginning on and including 13 January 2017 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

(B) Interest payments

Each Note will cease to bear interest from the due date for redemption unless, upon surrender in accordance with Condition 9, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the interest rate as set forth in and in accordance with Condition 9(E) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (b) the day seven days after the Trustee or the Principal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

(C) Calculation of interest

Interest in respect of any Note shall be calculated per US\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for a period of less than a complete Interest Period shall be calculated by applying the Interest Rate specified in Condition 8(A) to the Calculation Amount and multiplying such product by the relevant day count fraction for the relevant period (as determined on the basis of a 360-day year consisting of twelve months of 30 days each) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

9 Payments

(A) Principal and interest

Payment of principal (including premium, if any) and interest due on the Notes other than on an Interest Payment Date will be made by transfer to the registered account of the Holder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Holder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any Agent. Interest on the Notes due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifth business day before the payment of interest (the “**Interest Record Date**”).

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

(B) Registered accounts

For the purposes of this Condition 9, a Holder’s registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(C) Fiscal laws

All payments are subject in all cases to (i) any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA. No commissions or expenses shall be charged to the Holders in respect of such payments.

(D) Payment initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Holder otherwise than by ordinary mail, expense of the Holder) on the due date for payment (or, if that is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Default interest and delay in payment

If the Issuer fails to pay any sum in respect of the Notes when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 2.0% per annum above the Interest Rate from the due date. Such default interest shall accrue on the basis of a 360-day year consisting of twelve months of 30 days each.

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this condition arrives after the due date for payment.

(F) Business day

In this Condition 9, “**business day**” means a day (other than a Saturday, Sunday) on which commercial banks and foreign exchange markets are open for business in New York City and the city in which the specified office of the Principal Agent is located and (if surrender of the relevant Certificate is required) the relevant place of presentation.

10 Taxation

All payments made by the Issuer or, as the case may be, R&F HK or any other Subsidiary Guarantor or any JV Subsidiary Guarantors under or in respect of the Trust Deed or the Notes will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of a Relevant Jurisdiction, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law or by regulation or governmental policy having the force of law. In such event, the Issuer or, as the case may be, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor will pay such additional amounts as will result in the receipt by the Holders of net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Note:

- (i) to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some present or former connection with a Relevant Jurisdiction otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note; or
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Note is surrendered more than 30 days after the relevant date except to the extent that the Holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders and cheques despatched or payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 10 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11 Events of default

The following events shall be “**Events of Default**”:

- (i) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (ii) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (iii) default in the performance or breach of the provisions of the covenants described under Conditions 6(G), 6(J), 6(Q) or 6(S), the failure by the Issuer to make or consummate an offer to purchase in the manner described under Condition 6(I) or a Change of Control Offer under Condition 5(E);
- (iv) the Issuer, the Company, R&F HK or any other Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Trust Deed or under the Notes (other than a default specified in clause (i), (ii) or (iii) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (v) with respect to any Indebtedness of the Issuer, the Company, R&F HK or any other Restricted Subsidiary having an outstanding principal amount of US\$20 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, there occurs (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (vi) one or more final judgments or orders for the payment of money are rendered against the Issuer, the Company, R&F HK or any other Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of such final judgment(s) or order(s) that causes the aggregate amount for all such final judgment(s) or order(s) outstanding and not paid or discharged against all such Persons to exceed US\$20 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (vii) an involuntary case or other proceeding is commenced against the Issuer, the Company, R&F HK or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Company, R&F HK or any Significant Subsidiary or for any substantial part of the property and assets of the Issuer, the Company, R&F HK or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Issuer, the Company, R&F HK or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (viii) the Issuer, the Company, R&F HK or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the

Company, R&F HK or any Significant Subsidiary or for all or substantially all of the property and assets of the Issuer, the Company, R&F HK or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;

- (ix) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Trust Deed, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (x) any default by any of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Charge Over Account, the Security Documents or the Trust Deed, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or the Interest Reserve Account or which adversely affects the condition or value of the Collateral or the Lien on the Interest Reserve Account, taken as a whole, in any material respect;
- (xi) any of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or the Charge Over Account or, other than in accordance with the Trust Deed, the Security Documents and the Charge Over Account, the Charge Over Account or any Security Document is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect or the Security Trustee ceases to have a security in the Collateral or the Interest Reserve Account (subject to Permitted Liens); or
- (xii) any default by the Company in the performance of any of its obligations under the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, or the Company denies or disaffirms its obligations under the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, or, other than in accordance with the Trust Deed or these Conditions, the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than a default occurs on the payment of principal of, premium, if any, and accrued and unpaid interest on the Notes when the same becomes due and payable at maturity or an Event of Default specified in clause (vii) or (viii) above) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) (which notice shall be copied to the Security Trustee), may, and the Trustee at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding (subject to being indemnified and/or secured and/or pre-funded by the Holders to its satisfaction), shall, declare the principal of, premium (if any arising following the Issuer giving notice to repurchase or redeem the Notes in accordance with Conditions 5(E), 5(F) or 5(G)), and accrued and unpaid interest on the Notes to be immediately due and payable.

Upon a declaration of such acceleration, the principal of, premium, and accrued and unpaid interest of the Notes shall be immediately due and payable.

If a default occurs on the payment of principal of, premium, if any, and accrued and unpaid interest on the Notes when the same becomes due and payable at maturity or an Event of Default specified in clause (vii) or (viii) above occurs with respect to the Issuer, R&F HK, the Company or

any Significant Subsidiary, the principal of, premium (if any arising following the Issuer giving notice to repurchase or redeem the Notes in accordance with Conditions 5(E), 5(F) or 5(G)), and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee (which notice shall be copied to the Security Trustee) may waive all past Defaults and Events of Default and rescind and annul a declaration of acceleration and its consequences if:

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

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

Subject to the terms of the Intercreditor Agreement, the Holders of at least a majority in aggregate principal amount of the aggregate of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Security Trustee or the Trustee or exercising any trust or power conferred on the Security Trustee or the Trustee, including, but not limited, deeming any acceleration of the outstanding Notes to have been cured.

However, the Security Trustee or the Trustee, as the case may be, may refuse to follow any direction that conflicts with law or the Trust Deed, that may involve the Security Trustee and/or the Trustee, as the case may be, in personal liability or if the Security Trustee or the Trustee, as the case may be, is not indemnified and/or secured and/or pre-funding to its satisfaction by the Holders giving the direction, or that the Trustee determines may be unduly prejudicial to the rights of Holders not joining in the giving of such direction, and each of the Security Trustee and the Trustee may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

Subject to the terms of the Intercreditor Agreement, a Holder may not institute any proceeding, judicial or otherwise, with respect to the Trust Deed or the Notes or the Charge Over Account or the Security Documents or for the appointment of a receiver or trustee, or for any other remedy under the Trust Deed or the Notes or the Security Documents, unless:

- (A) the Holder has previously given the Trustee written notice (which notice shall be copied to the Security Trustee) of a continuing Event of Default;
- (B) the holders of at least a majority in aggregate principal amount of the aggregate of the outstanding Notes make a written request to the Security Trustee and/or the Trustee to pursue the remedy;

- (C) such holder or holders provide the Security Trustee and the Trustee with an indemnity and/or security and/or pre-funding satisfactory to the Security Trustee and the Trustee against any loss, fees, costs, liability or expense to be incurred in compliance with such request;
- (D) the Security Trustee and/or the Trustee, as the case may be, does not comply with the request within 60 days after receipt of the request and the provision of indemnity and/or security and/or pre-funding satisfactory to the Security Trustee and the Trustee; and
- (E) during such 60-day period, the holders of a majority in aggregate principal amount of the aggregate of the outstanding Notes do not give the Security Trustee or the Trustee, as the case may be, a direction that is inconsistent with the request.

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

12 Prescription

Claims in respect of amounts due in respect of the Notes will become prescribed unless made within ten years (in the case of principal) and five years (in the case of interest or premium (if any)) from the relevant date (as defined in Condition 10) in respect thereof.

13 Meetings of Holders, Modification and Waiver

(A) Meetings

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any) or the provisions of the Trust Deed, the Charge Over Account, the Security Documents, the Account Bank Agreement, the Keepwell Deed or the Equity Interest Purchase Undertaking. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Notes for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, to:

- (i) modify the due date for any payment in respect of the Notes;
- (ii) reduce or cancel the amount of principal or premium payable in respect of the Notes or to reduce or cancel the interest (including default interest under Condition 9(E), if applicable) on the Notes or to vary the method of calculating any premium payable in respect of the Notes or the Interest Rate or to reduce the initial Interest Rate;
- (iii) change the currency of payment of the Notes;
- (iv) modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing;

- (v) modify or cancel a Subsidiary Guarantee or a JV Subsidiary Guarantee (other than any release pursuant to Condition 4(A));
- (vi) modify the provisions relating to defeasance in Condition 7;
- (vii) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (viii) without prejudice to waiver of Defaults or Events of Default pursuant to Condition 11, waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (ix) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Notes or for waiver of certain defaults;
- (x) reduce the amount payable upon a Change of Control Offer or an offer to purchase with the Excess Proceeds from any Asset Sale, or change the time or manner by which a Change of Control Offer or an offer to purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an offer to purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (xi) change the redemption date or the redemption price of the Notes from that stated under Conditions 5(B), 5(E), 5(F) or 5(G);
- (xii) amend, change or modify the obligation of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor to pay additional amounts under Condition 10;
- (xiii) amend, change or modify any provision of the Trust Deed or the Notes or any related definition affecting the ranking of the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders; or
- (xiv) amend, change or modify any provision of the Issuer Share Charge, Charge Over Account, the Account Bank Agreement, the Keepwell Deed or the Equity Interest Purchase Undertaking,

in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33% in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90% of the aggregate principal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution, other than with respect to a written waiver made pursuant to Condition 11.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the holders of the Notes to exercise their powers to vote for or against any Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions for the benefit or in the interests of any group or class of holders as a whole and not merely individual holders is excluded to the fullest extent permitted by law.

(B) Modification and waiver

The Trustee (and, to the extent relevant, the Security Trustee) may agree, without the consent of the Holders, to:

- (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Notes, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee and/or the Security Trustee, as the case may be, materially prejudicial to the interests of the Holders, which shall include modifications or amendments to:
 - (a) comply with the provisions described under Condition 6(J);
 - (b) evidence and provide for the acceptance of appointment by a successor Trustee or Security Trustee;
 - (c) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor (other than R&F HK) or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Trust Deed and these Conditions;
 - (d) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Trust Deed and these Conditions;
 - (e) add additional Collateral to secure the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee;
 - (f) permit Permitted *Pari Passu* Secured Indebtedness (including, without limitation, permitting the Trustee and/or the Security Trustee, as the case may be, to enter into any amendments to the Security Documents or the Trust Deed and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness, in accordance with these Conditions and the Trust Deed, including, without limitation, the entry into of any Intercreditor Agreement or any supplement or amendment thereto);
 - (g) provide for the issuance of Additional Notes in accordance with Condition 16;
 - (h) in any other case where a supplemental Trust Deed is required or permitted to be entered into pursuant to the provisions of the Trust Deed without the consent of any Holder; or
 - (i) effect any changes to the Trust Deed or the Agency Agreement in a manner necessary to comply with the procedures of the relevant clearing system; or
- (ii) any modification to the Notes or the Trust Deed or the Agency Agreement which, in the opinion of the Trustee and/or the Security Trustee, as the case may be, is of a formal, minor or technical nature or to correct a manifest error or an error established as such to the satisfaction of the Trustee and/or the Security Trustee, as the case may be, or to comply with mandatory provisions of law.

Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Holders as soon as practicable thereafter.

(C) Interests of holders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver), each of the Trustee and the Security Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders, and each of the Trustee and the Security Trustee shall not be entitled to require on behalf of any Holder, nor shall any Holder be entitled to claim, from the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or the Security Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent provided for in Condition 10 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a modification, waiver or authorisation in accordance with Condition 13(B), the Issuer will procure that the Holders are notified in accordance with Condition 17.

14 Substitution

The Trust Deed and these Conditions contain provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Holders, to the substitution of certain other entities in place of any Subsidiary Guarantor or JV Subsidiary Guarantor, or of any previous substituted company, as a guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee may agree, without the consent of the Holders, to a change of the law governing the relevant Subsidiary Guarantee or JV Subsidiary Guarantee *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders.

15 Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require mutilated or defaced Certificates must be surrendered before replacements will be issued.

16 Further Issues

Subject to Condition 6(A) and compliance with applicable law, the Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same terms and conditions as the Notes in all respects and so that such further issue shall be consolidated and form a single series with the Notes. Such further Notes may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.

17 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificates are held on behalf of Euroclear or Clearstream, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream, rather than by notification as required by the Conditions.

18 Agents

The names of the initial Registrar and other Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Registrar or any other Agent and to appoint a replacement Registrar or other replacement Agents. The Issuer will at all times maintain (a) a Principal Agent, (b) a Registrar which will maintain the Register outside the United Kingdom and (c) such agents as may be required by any stock exchange on which the Notes may be listed. Notice of any such termination or appointment, of any changes in the specified offices of the Registrar or any other Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Holders.

19 Indemnification

The Trust Deed and the Agency Agreement contain provisions for the indemnification of each of the Trustee, the Security Trustee and each Agent and for their relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. Each of the Trustee, the Security Trustee and each Agent is entitled to enter into business transactions with the Issuer, R&F HK and the Company and any entity related (directly or indirectly) to the Issuer, R&F HK or the Company without accounting for any profit. None of the Trustee, the Security Trustee or any Agent shall be responsible for the performance by any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice to the contrary, each of the Trustee, the Security Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee, the Security Trustee or any Agent shall be liable to any Holder or any other person for any action taken by the Trustee, the Security Trustee or any Agent in accordance with the instructions of the Holders. Each of the Trustee, the Security Trustee and each Agent shall be entitled to rely on any direction, request or resolution of Holders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Holders convened and held in accordance with the Trust Deed.

Whenever the Trustee or the Security Trustee is required or entitled by the terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, each of the Trustee and the Security Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Holders by way of an Extraordinary Resolution, and neither the Trustee nor the Security Trustee is responsible for any loss or liability incurred by any person as

a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee or the Security Trustee, as the case may be, is seeking such directions or in the event that no such directions are received.

Neither the Trustee nor the Security Trustee shall be under any obligation to monitor compliance with the provisions of these Conditions.

Each of the Trustee and the Security Trustee may rely without liability to Holders or any other person on any certificate prepared by the directors of the Issuer, R&F HK, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, whether or not accompanied by a certificate or report prepared by an internationally recognised firm of accountants pursuant to the Conditions and/or the Trust Deed, whether or not addressed to the Trustee or, as the case may be, the Security Trustee and whether or not, if so accompanied, the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors or the JV Subsidiary Guarantors to procure such delivery under these Conditions; any such certificate or report relied on by the Trustee as aforesaid shall be conclusive and binding on the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Security Trustee and the Holders.

20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available apart from such Act.

21 Certain definitions

In these Conditions:

"2020 Notes" means the US\$400,000,000 in aggregate principal amount of 8.75% Senior Notes due 2020 issued by Caifu Holdings Limited which have been consolidated and form a single series with the further issue of US\$200,000,000 in aggregate principal amount of 8.75% Senior Notes due 2020.

"2020 Notes Security Trustee" means Citicorp International Limited as security trustee for the holders of the 2020 Notes, which term shall, where the context so permits, include all other persons for the time being acting as security trustee or security trustees for such holders under the 2020 Notes Trust Deed.

"2020 Notes Trust Deed" means the trust deed dated 24 January 2013 as supplemented and amended from time to time, including by the fourth supplemental trust deed dated 19 April 2016, in each case made among Caifu Holdings Limited, the Company, R&F HK, the other subsidiary guarantors party thereto, the 2020 Notes Trustee and the 2020 Notes Security Trustee.

"2020 Notes Trustee" means Citicorp International Limited as trustee for the holders of the 2020 Notes, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees for such holders under the 2020 Notes Trust Deed.

"Account Bank" has the meaning given to it in Condition 4(C)(1).

“Account Bank Agreement” means the account bank agreement dated on or about the Original Issue Date and as amended and supplemented from time to time between the Issuer, the Trustee and the Account Bank.

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

“Additional Notes” means the additional Notes to be issued from time to time by the Issuer subject to certain limitations described in Condition 16.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated **“H.15(519)”** or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption **“Treasury Constant Maturities”**, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after 13 January 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue relating to the Notes, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case, calculated on the third Business Day immediately preceding the redemption date.

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

“Applicable Premium” means, with respect to any Note on any redemption date, the greater of:

“(1) 1.00% of the principal amount of such Note; and

“(2) the excess of (a) the present value at such redemption date of (i) the redemption price of such Note at 13 January 2020 (such redemption price being set forth in the table appearing in Condition 5(G)) plus (ii) all required remaining scheduled interest payments due on such Note through 13 January 2020 (excluding accrued but unpaid interest to such redemption date) computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points; over (b) the principal amount of such Note on such redemption date.

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

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

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

- (a) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under Condition 6(B);
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by Condition 6(J); or
- (g) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

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

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

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

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

“business day” means, other than in the context of Conditions 3 and 9, any day which is not a Saturday, Sunday, legal holiday or other day upon which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

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

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

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

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

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

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

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

“**Charge Over Account**” has the meaning given to it in Condition 4(C)(1).

“**Collateral**” means all collateral securing, or purported to be securing, directly or indirectly, *inter alia*, the Notes, the Trust Deed or the Subsidiary Guarantees pursuant to the Security Documents, and shall initially consist of the Capital Stock of the Issuer and the initial Subsidiary Guarantors (other than R&F HK).

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

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

“**Comparable Treasury Issue**” means the US Treasury security having a maturity comparable to 13 January 2020, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to 13 January 2020.

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

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

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense (other than dividends paid on Preferred Stock);
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and
- (3) depreciation expense, amortisation expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, *provided that* (i) if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication:

- (1) interest expense attributable to Capitalised Lease Obligations and imputed interest with respect to Attributable Indebtedness;
- (2) amortisation of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness;
- (3) the interest portion of any deferred payment obligation;
- (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness;

- (5) the net costs associated with Hedging Obligations (including the amortisation of fees);
- (6) interest accruing on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees incurred pursuant to Condition 6(A)(2)(g)), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary; and
- (7) any capitalised interest,

provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realised on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realised on sales of Capital Stock of the Company or any Restricted Subsidiary);

- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated financial statements of the Company prepared in accordance with GAAP (which the Company shall use its reasonable efforts to compile in a timely manner), plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or a Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for

provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “**asset sale**” or “**change of control**” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “**asset sale**” or “**change of control**” provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in Condition 6(I) and Condition 5(E) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of the Notes as are required to be redeemed or repurchased pursuant to Condition 6(I) and Condition 5(E).

“**Dollar Equivalent**” means, (i) in the case of any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“**Entrusted Loans**” means borrowings by a Non-Guarantor Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided that* such borrowings are not reflected on the consolidated balance sheet of the Company.

“**Equity Offering**” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date; (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price or (iii) any public offering or private placement of Capital Stock of a Restricted Subsidiary; *provided that* any offering or placing referred to in (A) clause (i) or (B) clause (ii) or (C) clause (iii) or (D) any combination of clauses (i), (ii) and (iii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20 million (or the Dollar Equivalent thereof).

“**Event of Default**” means each of the events set out in Condition 11.

“**Exchange Act**” means the US Securities Exchange Act of 1934, as amended.

“**Exempted Finance Subsidiary**” means a person established to incur any indebtedness, *provided that* such person shall become a Wholly-Owned subsidiary of the Company and that such indebtedness is guaranteed by R&F HK in a manner and pursuant to a structure substantially identical to the Notes (including entry into documentation substantially identical to the Keepwell Deed and the Equity Interest Purchase Undertaking).

“**Exempted Subsidiary**” means any Offshore Restricted Subsidiary that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee or creating any Lien over its Capital Stock to secure the Notes; *provided that* (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an

Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, *provided that* in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an Independent Financial Advisor appointed by the Company.

“**Fitch**” means Fitch Ratings, Inc. and its affiliates.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarterly periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Four Quarter Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period,

provided that to the extent that clause (d) or (e) of this definition requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the Four Quarter Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed of for which financial information is available.

“**GAAP**” means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with GAAP applied on a consistent basis.

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “**guarantee**” shall not include endorsements for collection or deposit in the ordinary course of business. The term “**guarantee**” used as a verb has a corresponding meaning.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“**Holder**” has the meaning given to it in Condition 2.

“**Hong Kong Listing Rules**” means the Rules Governing the Listing of Securities on the Stock Exchange.

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC.

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**”, “**Incurred**” and “**Incurrence**” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalised Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons guaranteed by such Person, to the extent such Indebtedness is guaranteed by such person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, pre-sale receipts in advance from customers, deferred payment obligations or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or any Entrusted Loan; *provided that* such Indebtedness is not reflected and is not required under GAAP to be reflected on the consolidated balance sheet of the Company as borrowings (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, *provided that*:

- (i) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

- (ii) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be **“Indebtedness”** so long as such money is held to secure the payment of such interest, and
- (iii) the amount of Indebtedness with respect to any Hedging Obligation shall be: (x) zero if Incurred pursuant to Condition 6(A)(2)(f) and (y) equal to the net amount payable if the Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such Condition 6(A)(2)(f).

“Independent Financial Advisor” means a reputable licensed and qualified financial advisor, investment bank, appraisal firm or accounting firm of international standing, *provided that* such advisor or firm is not an Affiliate of the Company.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Interest Reserve Account” has the meaning given to it in Condition 4(C)(1).

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

“Invest”, **“Investing”** and **“Invested”** shall have corresponding meanings.

For the purposes of the provisions of Condition 6(B) and Condition 6(M): (a) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (b) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means (i) a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, (ii) a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or (iii) a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or (iv) the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary primarily for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under Condition 4(B).

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; *provided that* such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Measurement Date” means 29 April 2011.

“Minimum Balance” means on any date, the amount of interest due and payable under the Notes outstanding on such date on the next Interest Payment Date.

“Minority Joint Venture” means any corporation, association or other business that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Business, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” means the Restricted Subsidiaries that do not provide a Subsidiary Guarantee or JV Subsidiary Guarantee, including the PRC Restricted Subsidiaries, any Exempted Finance Subsidiaries, the Offshore Non-Guarantor Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries.

“Offer to Purchase” means an offer to purchase Notes by the Company or the Issuer from the Holders commenced by the Company or the Issuer mailing a notice by first class mail, postage prepaid, to the Trustee, the Principal Agent and each Holder at its last address appearing in the Register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a business day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the **“Offer to Purchase Payment Date”**);

- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company and the Issuer default in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “**Option of the Holder to Elect Purchase**” on the reverse side of the Note completed, to the Principal Agent at the address specified in the notice prior to the close of business on the business day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Principal Agent receives, not later than the close of business on the third business day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

On the Offer to Purchase Payment Date, the Company or the Issuer shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Principal Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Registrar all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Company or the Issuer. The Principal Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company or the Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company and the Issuer will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company or the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company or the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“**Offering Memorandum**” means the offering memorandum dated 30 December 2016 issued in connection with the issue and offering of the Notes.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, a JV Subsidiary Guarantor or the Issuer, one of the directors or executive officers of such Subsidiary Guarantor, JV Subsidiary Guarantor or the Issuer, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers provided, however, with respect to the Officers’ Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with these Conditions or the Trust Deed, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel of recognised standing who is acceptable to the Trustee and/or the Security Trustee, as the case may be, that meets the requirements of the Trust Deed.

“Original Issue Date” means 13 January 2017, the date on which the Notes are originally issued under the Trust Deed.

“Outstanding” has the meaning given to it in the Trust Deed.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided that* (1) the Company was permitted to Incur such Indebtedness under Condition 6(A) and (2) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (w) any default in the payment of interest on any Note when the same becomes due and payable, (x) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (y) the failure by the Company to make or consummate a Change of Control Offer in the manner described under Condition 5(E) or an offer to purchase in the manner described under Condition 6(I) or (z) any Event of Default specified in Condition 11(v).

“Permitted Business” means any business conducted or proposed to be conducted (as described in the Offering Memorandum) by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related or ancillary thereto.

“Permitted Holders” means any or all of the following:

- (1) Mr. Li Sze Lim and Mr. Zhang Li or any trust settled by such Persons, *provided that* such Persons at all times have the power to direct or cause the direction of the management and policies of such trust;
- (2) any Affiliate (other than an Affiliate defined in clause (ii) or (iii) of the definition of Affiliate) of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets made in compliance with Condition 6(I);
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under Condition 6(G);
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Trust Deed;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors or suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made by the Company or an Restricted Subsidiary in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property, land use rights or other assets used in the Permitted Business by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided that*:
 - (i) the aggregate of all Investments made under this clause (16) since the Measurement Date shall not exceed in aggregate an amount equal to 25% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Measurement Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person, or
 - (C) to the extent that an Investment made after the Measurement Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (16),
 - (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
 - (iii) if a shareholder or partner (other than the Company or a Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (a) or (b) of the first paragraph of Condition 6(F) (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary), such investment complies with Condition 6(F));
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph Condition 6(A)(1); provided however that

this paragraph (v) shall not apply if such Investment would otherwise have been permitted under this clause (16) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 5% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (i)(A) through (i)(C) above, where references in such paragraphs to “under this clause (16)” or “under this clause” shall be substituted with “in reliance on the proviso in this paragraph (v)”).

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

- (17) Guarantees permitted under Condition 6(A)(2)(r);
- (18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries, *provided that* (A) (i) the Board of Directors has determined in good faith that the designation of such Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, such Subsidiaries remain Subsidiaries of the Company, and (iii) at the time of such designation, such Subsidiaries remain primarily engaged in the businesses other than property development business; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 10% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 10% of Total Assets shall not constitute a Permitted Investment pursuant to this clause (18) but may be made, characterized and accounted for in accordance with the other provisions in these Conditions; and provided further that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of such entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event; and
- (19) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided that* none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clause (a) or (b) of the first paragraph of Condition 6(F) (other than by reason of such holder being an director or officer of the Company or a Restricted Subsidiary).

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favour of the Company or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default or Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by Condition 6(A)(2)(f);
- (11) Liens existing on the Original Issue Date;

- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under Condition 6(A)(2)(e); *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;
- (15) Easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favour of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under Condition 6(A)(2)(h) and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development or construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such acquisition, completion or improvement costs and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property, or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such acquisition, completion or improvement costs if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

- (20) Liens under the Charge Over Account and the Security Documents and Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under Condition 4(C)(2);
- (21) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favour of any Trust Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the second paragraph of Condition 6(A);
- (22) Liens Incurred on accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(s) of Condition 6(A);
- (23) Liens securing Indebtedness of the type described under clause (2)(n) of Condition 6(A);
- (24) Liens securing Indebtedness Incurred under clause (2)(r) of Condition 6(A);
- (25) Liens on Investment Properties securing Indebtedness of the Company or Restricted Subsidiary incorporated under the laws of the PRC of the type described under clause (2)(t) of Condition 6(A);
- (26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of Condition 6(A);
- (27) Liens incurred or deposits made to secure Entrusted Loans; and
- (28) Liens securing Indebtedness Incurred under clause (2)(u) of Condition 6(A).

“Permitted Pari Passu Secured Indebtedness” has the meaning given to it in Condition 4(C)(2).

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (excluding any Indebtedness of the Subsidiary Guarantors), *provided that*, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock does not exceed an amount equal to 15% of the Total Assets; provided, however, that Permitted Subsidiary Indebtedness shall not include any Indebtedness of any Restricted Subsidiary permitted under Conditions 6(A)(2)(a), 6(A)(2)(b), 6(A)(2)(d), 6(A)(2)(f) and 6(A)(2)(g).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong, Macau and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on 13 April 1988 (as most recently amended on 13 October 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on 4 September 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organised under the laws of the PRC.

“PRC Subsidiary” means any Subsidiary that is organised under the laws of the PRC.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“Pre-Registration Mortgage Guarantee” means any guarantee by the Company or any Restricted Subsidiary in favour of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that* any such guarantee shall be released in full on or before the perfection of security interest in such properties under applicable law in favour of the relevant lender.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means an initial public offering, and a listing, of ordinary shares of a company on a Qualified Exchange; *provided that* in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (i) S&P, (ii) Moody’s, (iii) Fitch or (iv) if S&P, Moody’s or Fitch, two of the three of them or all three of them shall not make a rating of the Notes publicly available, one or more internationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s or Fitch, two of the three of them or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “AAA”, “AA”, “A”, “BBB”, “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: of “Aaa”, “Aa”, “A”, “Baa”, “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “AAA”, “AA”, “A”, “BBB”, “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and

“3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB”, as well as from “BB-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under Condition 6(J), the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under Condition 6(J), the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are (i) rated by less than three Rating Agencies or (ii) rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognised standing that is a primary US Government securities dealer in New York City, selected by the Issuer in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for the Notes, the average as determined by the Principal Agent, of the bid and asked prices for the Comparable Treasury Issue relating to the Notes (expressed as a percentage of its principal amount) quoted in writing to the Principal Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market).

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, and for the purposes of Condition 6(I)(4), shall include Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business.

“Reserve Fund” means any amount standing to the credit of the Interest Reserve Account and any income or interest earned thereon from time to time.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary; for the avoidance of doubt, **“Restricted Subsidiary”** shall at all times from the Original Issue Date include the Issuer and R&F HK.

“Restructuring” means the restructuring and Qualified IPO of the common shares of a Subsidiary in the Restructuring Group.

“Restructuring Group” means a Subsidiary of the Company through which the Company conducts (directly or indirectly) businesses other than property development business immediately prior to the completion of the Restructuring and its Subsidiaries.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any Lien in favour of the Security Trustee and/or any Holders in any or all of the Collateral.

“Senior Indebtedness” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Trust Deed.

“Significant Subsidiary” means a Restricted Subsidiary that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Rule 1–02(w) of Regulation S-X under the Securities Act, as such regulation is in effect on the Original Issue Date *provided that* in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor; and provided further that any Restricted Subsidiary which is not itself a Significant Subsidiary shall nevertheless be treated as a Significant Subsidiary if, when consolidated with any other Restricted Subsidiary which is not itself a Significant Subsidiary and with respect to which an Event of Default specified in clause (vii) or (viii) of Condition 11 has occurred since the Original Issue Date, such Restricted Subsidiary would otherwise meet the definition of Significant Subsidiary.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) which results in such corporation, association or other business entity ceasing to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and shall be subject to the second paragraph of Condition 6(M).

“Subsidiary Guarantee” means any guarantee of the obligations of the Issuer under the Trust Deed and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary (other than the Issuer) which guarantees the payment of the Notes pursuant to the Trust Deed and the Notes; *provided that* Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Notes.

“Subsidiary Guarantor Pledgor” means any Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Trust Deed and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided that* a Subsidiary Guarantor Pledgor shall not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Trust Deed and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong or Australia or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong or Australia or any agency thereof, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America or any state thereof, Hong Kong, Australia or any state thereof, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organised and in existence under the laws of the United States of America, any state thereof or any foreign country recognised by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof or Hong Kong and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) time deposit accounts, certificates of deposit and money market deposits with any bank or financial institution organised under the laws of the PRC, Hong Kong, Australia or Malaysia or any other regions where the Company or any Restricted Subsidiary conducts Permitted Business; and
- (8) structured deposit products with any bank or trust company organised under the laws of the PRC, Hong Kong, Australia or Malaysia or any other regions where the Company or any Restricted Subsidiary conducts Permitted Business that (a) are 100% principal protected if held to maturity (which shall not be more than one year) and (b) can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP for the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its

reasonable efforts to compile in a timely manner) are available (which may be internal consolidated financial statements), *provided that* only with respect to Condition 6(A)(2)(h) and the definition of “Permitted Subsidiary Indebtedness”, “Total Assets” shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or actual cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; *provided further that*, only with respect to Condition 6(A)(2)(u), in relation to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such new Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary.

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“**Trust Company Investor**” means an Independent Third Party that is a financial institution or an insurance company organised under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“**Unrestricted Subsidiary**” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein and (2) any Subsidiary of an Unrestricted Subsidiary, and includes, as of the Original Issue Date, R&F Development Holdings Pty Ltd, R&F Property Pty Ltd, R&F Realty Pty Ltd, R&F Estate Pty Ltd, R&F Golden Property Pty Ltd, R&F Golden Realty Pty Ltd, R&F Mega Property Pty Ltd, R&F Mega Realty Pty Ltd, R&F Mega Estate Pty Ltd, R&F Property Australia Pty Ltd., and Big Will Investments Limited (鴻誌有限公司).

“**US Government Obligations**” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such US Government Obligation or a specific payment of interest on or principal of any such US Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the US Government Obligation or the specific payment of interest on or principal of the US Government Obligation evidenced by such depository receipt.

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“**Wholly-Owned**” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs shall not be considered Wholly-Owned Subsidiaries unless such Person or one or more Wholly-Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

22 Governing Law and Submission to Jurisdiction

The Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes, each of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors has in the Trust Deed irrevocably submitted to the non-exclusive jurisdiction of the courts of England, and each of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors in relation thereto has appointed an agent for service of process in England. In relation to any legal action or proceedings arising out of or in connection with the Keepwell Deed and the Equity Interest Purchase Undertaking, each of the Issuer (in the case of the Keepwell Deed), the Company and R&F HK, has in the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong, and each of the Issuer, the Company and R&F HK in relation thereto has appointed an agent for service of process in Hong Kong.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed to be entered into between the Issuer, R&F HK, the Company and the Trustee, the Company will undertake with the Issuer, R&F HK and the Trustee that it (i) shall directly or indirectly own and control all the outstanding shares of the Issuer and R&F HK and (ii) will not, subject to certain exceptions, directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares of the Issuer or R&F HK.

The Company will undertake that it shall cause the Issuer to have a net worth, and R&F HK to have a consolidated net worth, of at least US\$1.00, respectively, at all times. If the Issuer or R&F HK determines that there is insufficient liquidity for the Issuer, R&F HK or the Subsidiary Guarantors to meet their respective payment obligations as they fall due, the Issuer and R&F HK will promptly notify the Company of the shortfall and the Company will make available to the Issuer and R&F HK, before the due date of the relevant payment obligations, funds sufficient to enable that payment obligation to be met in full as they fall due.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the Company, the Issuer, R&F HK and the Trustee.

Pursuant to the Keepwell Deed, for so long as the Notes are outstanding, the Company will undertake the following:

- (i) cause each of the Issuer and R&F HK to have sufficient liquidity to ensure timely payment by the Issuer of any amounts payable in respect of the Notes (in accordance with the terms and conditions of Notes and the Trust Deed) and its other indebtedness;
- (ii) not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time (a) provides an unsubordinated guarantee or indemnity in respect of the Notes in a form and substance satisfactory to the Trustee or (b) offers to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- (iii) not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto (a) according to the Notes the same guarantee or indemnity or (b) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- (iv) procure that the articles of association of each of the Issuer and R&F HK shall not be amended in a manner that is, directly or indirectly, adverse to any holders of the Notes;
- (v) cause the Issuer and R&F HK to remain in full compliance with the Trust Deed and all applicable rules and regulations in Hong Kong;
- (vi) use its best efforts to do all such things and take all such actions as may be necessary or desirable to give effect to the Keepwell Deed;

- (vii) cause the Issuer and R&F HK to take all action necessary in a timely manner to comply with the Company's and the Issuer's obligations under the Keepwell Deed; and

The Keepwell Deed will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or R&F HK under the laws of any jurisdiction. See "Risk Factors — The Keepwell Deed is not a guarantee of the payment obligations under or in respect of the Notes".

It is acknowledged that in order for the Company to comply with and perform its obligations under the Keepwell Deed, such compliance and performance may be subject to obtaining all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies.

The Keepwell Deed will be governed by English law and subject to the jurisdiction of the Hong Kong courts. The Keepwell Deed will be made available for inspection during usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) at the principal office of the Trustee, being at the date of this offering memorandum, 39th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong upon provision to the Trustee of prior written request and satisfactory proof of holding.

DESCRIPTION OF THE EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Equity Interest Purchase Undertaking.

Pursuant to the terms of the Equity Interest Purchase Undertaking to be entered into among the Trustee, the Company and R&F HK, the Company will agree to, subject to obtaining all necessary approvals, consents and any other authorisations from the relevant governmental authorities, securities exchanges and quasi-governmental or private bodies, purchase certain equity interests upon receiving a written purchase notice (the “Purchase Notice”) from the Trustee given following receipt by the Trustee of written notice of the occurrence of an Event of Default. The equity interests comprise the interests held by R&F HK or the Relevant Transferor(s) (as defined in the Equity Interest Purchase Undertaking and which includes R&F HK and its subsidiaries incorporated outside the PRC) in the registered capital (the “Equity Interest”) of the direct or indirect PRC-incorporated subsidiaries of the Relevant Transferor(s) (the “Target Subsidiaries”).

Following receipt by the Trustee of written notice of the occurrence of an Event of Default, the Trustee shall issue a Purchase Notice to the Company. Within two business days after the date of the Purchase Notice, the Company shall determine and notify the Trustee which Target Subsidiaries the Equity Interest of which it will purchase or procure to be purchased (if applicable). Furthermore, the Company shall within 10 business days after the date of the Purchase Notice determine the purchase price, denominated in US dollars, for the Equity Interest (the “Purchase Price”). The Company is obliged to determine the Purchase Price in compliance with any applicable PRC laws and regulations and any other applicable terms relating to the Purchase. In any event, the Purchase Price shall not be lower than the amount sufficient to enable the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to discharge their full respective obligations under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Trust Deed, the Agency Agreement and the Equity Interest Purchase Undertaking (including all liabilities, whether actual or contingent, then outstanding).

Within 15 business days after receipt by the Company of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor named in or designated by such Purchase Notice to use best efforts to obtain approval from (a) the requisite number of shareholders, (b) any joint venture partners and (c) any relevant creditors for the relevant Purchase and to execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the relevant Purchase to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents required by applicable laws and regulations of the PRC and shall file the same with MOFCOM or its local counterpart, for approval of the transfer of the Equity Interests.

Within five business days after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance opinion from such tax authority.

Within five business days after completion of the AIC registration and the receipt of the tax clearance opinion, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE (i) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (ii) for remittance of the applicable Purchase Price.

Closing shall take place on the fifth Business Day after the date of receipt of the approvals from SAFE (the “Purchase Closing Date”), and on the Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the applicable Purchase Price payable in immediately available funds in US dollars to such account in New York City as may be designated by such Relevant Transferor.

Upon the completion of each Purchase, each of the Company and R&F HK undertakes to procure the Relevant Transferor for such Purchase to promptly lend or distribute in full the relevant portion of the Purchase Price received by such Relevant Transferor to the Issuer prior to any other use, disposal or transfer of the proceeds received.

The Equity Interest Purchase Undertaking shall remain in full force and effect so long as any of the Notes remain outstanding.

The Equity Interest Purchase Undertaking will be governed by English law and subject to the jurisdiction of the Hong Kong courts.

The Equity Interest Purchase Undertaking will be made available for inspection during usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) at the principal office of the Trustee, being at the date of this offering memorandum, being at the date hereof at 39th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong upon provision to the Trustee of prior written request and satisfactory proof of holding.

GLOBAL CERTIFICATE

The Notes will be represented by a global certificate (the “Global Certificate”) and the Global Certificate contains certain provisions which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes and the Trust Deed have the same meaning in the paragraphs below. The following is a summary of those provisions and other provisions related to the Global Certificate:

Meetings

The registered holder of, or a proxy for the registered holder of, the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of Notes and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Notes for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Notes to attend and speak at a meeting of holders of the Notes on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Notes by the Company following its redemption or purchase by the Company will be effected by a reduction in the principal amount of the Global Certificate and in the register of holders of Notes.

Payment

Payments of principal, interest and premium (if any) in respect of any Notes represented by the Global Certificate will be made without presentation, or if no further payment falls to be made in respect of Notes, against presentation and surrender, of the Global Certificate.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Notes may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the terms and conditions of the Notes.

Exchange for Definitive Certificates

Certificates in definitive form for individual holdings of the Notes will not be issued in exchange for interests in the Notes in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which Notes evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in any Notes represented by the Global Certificate will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of holders of Notes while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) consider such interests on the basis that such accountholders were the holders of the Notes in respect of which the Global Certificate is issued.

Noteholder's Redemption

The Noteholder's option in Condition 5(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of the Notes in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer Redemption

The Issuer's option in Conditions 5(B), 5(F) and 5(G) may be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 5(B), Condition 5(F) or Condition 5(G), as the case may be, except that any such notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong, PRC, Malaysia, Singapore and European Union tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposition or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distributions is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Notes (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The EIT Law, effective 1 January 2008, imposes a tax at the rate of 10% on interest paid to holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the EIT Law, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes will be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law imposes a tax at the rate of 10% on capital gains realised by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the EIT Law, if we are or R&F HK considered a PRC resident enterprise, the capital gains realised by non-resident enterprise holders of the Notes will be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of the Notes.

Malaysia

Stamp Duty

No stamp duty or other documentary tax of any kind imposed by any governmental or other regulatory authorities in Malaysia is payable in connection with the execution and delivery or transfer of the Notes, except that an ad valorem stamp duty of 0.5% of the aggregate loan amount (subject to a maximum of 500 Malaysian Ringgit being a loan that is made in a currency other than the Ringgit) is payable in Malaysia in relation to the execution and delivery of the share charge by Profit Range Holdings Limited in relation to the shares of R&F Development Sdn Bhd and the share charge by Jinbo Investments Limited in relation to the shares of R&F Mega Realty Sdn Bhd which, if brought into Malaysia, within 30 days from when they were first received in Malaysia.

Withholding Tax

All payments of principal in respect of the Notes may be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in Malaysia. However, payments within the scope of Section 107(A) and Section 109 of the Income Tax Act, 1967 from any person to a non-resident person will be subject to withholding tax at the prescribed rate. For the payment of interest to non-resident persons, the withholding tax rate is 15%.

Income Tax

Malaysian income tax is charged on every person carrying on a trade, profession or business in Malaysia in respect of assessable profits arising in or derived from Malaysia from such trade, profession or business. Malaysian income tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Malaysia. Although no tax is imposed in Malaysia in respect of capital gains, Malaysian profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Malaysia.

Singapore

Stamp Duty

No stamp duty or other documentary tax of any kind imposed by any governmental or other regulatory authorities in Singapore is payable in connection with the execution and delivery or transfer of the Notes, except that stamp duty of up to a maximum of 500 Singapore Dollars is payable in Singapore in relation to the execution and delivery of the share charge by Radiant Ace Global Limited in relation to the shares of R&F Development Pte Ltd within 14 days after it has first been executed in Singapore, or, if executed outside of Singapore, within 30 days after it has been first received in Singapore.

Withholding Tax

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("ITA"), the following payments are deemed to be derived from Singapore:

- a. any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in

Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

- b. any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 20% (except for the scenario described below). However, if the payment is derived by a person not resident in Singapore other than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The withholding tax rates may be reduced by applicable tax treaties, subject to conditions being met.

Certain Singapore-sourced investment income derived by individual Noteholders from financial instruments is exempt from tax, including:

- a. interest from debt securities;
- b. discount income (not including discount income arising from secondary trading) from debt securities; and
- c. prepayment fees, redemption premiums and break costs from debt securities,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39-Financial Instruments: Recognition and Measurement” (the “FRS 39 Circular”). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Noteholders who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

FATCA Withholding

Whilst the Notes are in global form and held within Euroclear or Clearstream (together, the “ICSDs”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

PLAN OF DISTRIBUTION

The Issuer, the Company, R&F HK and the other Subsidiary Guarantors have entered into a subscription agreement dated 30 December 2016 (the “Subscription Agreement”) with Goldman Sachs (Asia) L.L.C., CMB International Capital Limited, Deutsche Bank AG, Hong Kong Branch and Haitong International Securities Company Limited (collectively, the “Joint Lead Managers”). Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes in the following amounts:

<u>Notes</u>	<u>Principal Amount</u>
Goldman Sachs (Asia) L.L.C.	US\$234,000,000
CMB International Capital Limited	US\$0
Deutsche Bank AG, Hong Kong Branch	US\$29,000,000
Haitong International Securities Company Limited	US\$2,000,000
Total	<u>US\$265,000,000</u>

The Issuer has granted the Joint Lead Managers an option, which may be exercised by the Joint Lead Managers in whole or in part and on one or more occasions, at any time within a 30-day period from the date of this offering memorandum to subscribe for additional Notes. The total aggregate size of the Notes (including the Option Notes) will not exceed the amount approved by the Guangdong DRC.

The Subscription Agreement provides that the Issuer, the Company, R&F HK and the other Subsidiary Guarantors jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer. In addition, the Issuer has agreed with the Joint Lead Managers that private banks be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Joint Lead Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business. The Joint Lead Managers or certain of their respective affiliates may purchase Notes net of commission and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

The Joint Lead Managers may also, as initial purchasers, on-sell the Notes to investors at prices which may be different from the issue price of the Notes.

In connection with the issue of the Notes, each Joint Lead Manager (or any person acting on its behalf) may purchase and sell the notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, stabilising transactions and purchases to cover positions created by short sales. These activities may stabilise, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market in doing such transactions, the Joint Lead Managers shall act as principal and not as agent of the issuer. There is no assurance, however, that the Joint Lead Managers will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made, and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of the Notes and 60 days after the date of allotment of the relevant tranche of Notes. If the Joint Lead Managers create a short position in the Notes in connection with the offering, the Joint Lead Managers may cover that short position by purchasing Notes in the open market or by exercising all or a part of the Joint Lead Managers' option to purchase additional Notes described above. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Joint Lead Managers.

Each of the Issuer, the Company, R&F HK and the other Subsidiary Guarantors have agreed that it will not, directly or indirectly, until 30 days after the issuance of the Notes, issue or offer any debt securities to the public or through a private placement in which the Issuer, the Company, R&F HK or any other Subsidiary Guarantor is the borrower, debtor, issuer or guarantor (other than any drawdown under any credit line or facility which exists on or before the date of this Agreement and any notes offered in the PRC), unless it has obtained the prior written consent of each Joint Lead Manager.

We expect that delivery of the Notes will be made against payment therefor on or about the Closing Date, which will be on or about the ninth business day following the pricing date of the Notes (this settlement cycle being referred to as "T+9"). Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+9, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

The distribution of this offering memorandum or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering memorandum are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Selling Restrictions

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and sold only to non-U.S. persons outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offering of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), an offer or sale of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated in the United Kingdom any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, R&F HK or the Subsidiary Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

Each of the Joint Lead Managers has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant

to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Bermuda

Each of the Joint Lead Managers has represented, warranted and agreed that it has not directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes to any person, firm or company regarded as a resident of Bermuda for exchange control purposes.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Notes to the public in the British Virgin Islands.

United Arab Emirates

The Notes have not been and will not be offered, sold or publicly promoted or advertised by the Joint Lead Managers in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering or the sale of securities.

RATINGS

We have been given a corporate rating of “Ba3” with a stable outlook by Moody’s Investors Service, “B+” with a stable outlook by Standard & Poor’s Ratings Services and “BB” with a negative outlook by Fitch. The Notes are expected to be rated “BB” by Fitch. The ratings reflect the rating agencies’ assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin LLP as to matters of English law, Sidley Austin as to matters of Hong Kong law, King & Wood Mallesons as to matters of PRC law, Harney Westwood & Riegels as to BVI law and Stamford Law Corporation as to Malaysia and Singapore law. Certain legal matters will be passed upon for the Joint Lead Managers by Linklaters as to matters of Hong Kong and English law and Jun He Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group as of and for each of the years ended 31 December 2013, 2014 and 2015 have been audited by PricewaterhouseCoopers, Certified Public Accountants. The unaudited consolidated financial statements of the Group as of and for the six months ended 30 June 2015 and 2016 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited consolidated financial statements of R&F HK as of and for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 included in this offering memorandum have been reviewed by PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, as stated in their review report set forth herein.

GENERAL INFORMATION

Documents Available

For so long as any of the Notes are outstanding, copies of the Trust Deed may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified office of the Principal Agent upon prior written request and satisfactory proof of holding.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified office of the Principal Agent.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS1545743442	154574344

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Issuer, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a Global Certificate is exchanged for definitive Notes. In addition, in the event that a Global Certificate is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Reliance by the Trustee and the Security Trustee and certain Relationships

The Trustee and the Security Trustee are entitled under the Trust Deed to rely without liability to the holders of the Notes on certificates prepared by the directors of the Company, R&F HK, other Subsidiary Guarantors, the JV Subsidiary Guarantors and the Issuer, which may be accompanied by a certificate or report prepared by an internationally recognised firm of accountants to the Company, whether or not addressed to the Trustee or, as the case may be, the Security Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognised firm of accountants to the Company and whether by reference to a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under the terms and conditions or the Trust Deed. Any such certificate or report shall be conclusive and binding on the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee, the Security Trustee and the holders of the Notes.

The Trustee and the Security Trustee are affiliates of Citigroup Inc., which is a substantial shareholder of the Company. See “Substantial Shareholders”.

Litigation

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 30 June 2016 that is material in the context of the issue of the Notes.

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Notes:

- (1) The unaudited condensed consolidated financial statements set out herein have been reproduced from the Company's interim report for the six months ended 30 June 2016, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended 31 December 2015, and page references are to pages set forth in such annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (3) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended 31 December 2014, and page references are to pages set forth in such annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (4) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s interim report for the six months ended 30 June 2016, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (5) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s review report for the year ended 31 December 2015, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (6) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s review report for the year ended 31 December 2014, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

Condensed Consolidated Interim Balance Sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2016	Audited 31 December 2015
ASSETS			
Non-current assets			
Land use rights	8	1,476,657	1,264,041
Property, plant and equipment	8	9,964,439	9,009,864
Investment properties	8	21,044,983	19,251,951
Intangible assets	8	1,063,044	1,034,849
Interests in joint ventures	9	6,211,190	5,954,631
Interests in associates	10	91,791	71,052
Deferred income tax assets		3,885,435	3,295,186
Available-for-sale financial assets		592,890	645,140
Trade and other receivables and prepayments	11	1,173,175	4,046,552
		45,503,604	44,573,266
Current assets			
Properties under development		78,224,863	78,671,926
Completed properties held for sale		24,948,703	22,427,988
Inventories		411,195	414,888
Trade and other receivables and prepayments	11	16,530,761	13,576,168
Tax prepayments		2,783,475	2,784,288
Restricted cash	12	8,259,825	6,814,094
Time deposits		107,721	500,000
Cash and cash equivalents		28,975,608	13,970,313
		160,242,151	139,159,665
Total assets		205,745,755	183,732,931
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	805,592	805,592
Other reserves		4,454,644	4,590,948
Shares held for Share Award Scheme	14	—	(88,947)
Retained earnings		37,629,038	35,404,023
		42,889,274	40,711,616
Perpetual capital instruments	15	2,404,067	7,977,869
Non-controlling interests		318,367	527,895
Total equity		45,611,708	49,217,380

	Note	Unaudited 30 June 2016	Audited 31 December 2015
LIABILITIES			
Non-current liabilities			
Long-term borrowings	16	77,884,056	49,759,398
Deferred income tax liabilities		4,659,293	3,935,947
		82,543,349	53,695,345
Current liabilities			
Accruals and other payables	17	17,708,821	18,727,912
Deposits received on sale of properties		19,958,557	18,407,668
Current income tax liabilities		10,037,354	11,005,384
Short-term borrowings	16	4,821,830	5,661,596
Current portion of long-term borrowings	16	25,064,136	27,017,646
		77,590,698	80,820,206
Total liabilities		160,134,047	134,515,551
Total equity and liabilities		205,745,755	183,732,931

The notes on pages 28 to 59 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Income Statement

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited Six months ended 30 June	
	Note	2016	2015
Revenue	6	22,389,435	12,719,140
Cost of sales		(16,706,704)	(8,971,554)
Gross profit		5,682,731	3,747,586
Other income and other gains — net	18	916,305	899,985
Selling and marketing costs		(521,826)	(370,000)
Administrative expenses		(1,208,172)	(1,122,997)
Operating profit		4,869,038	3,154,574
Finance costs	19	(1,000,874)	(511,925)
Share of results of associates		(14,854)	(5,100)
Share of results of joint ventures		178,463	254,564
Profit before income tax		4,031,773	2,892,113
Income tax expenses	20	(1,607,614)	(1,191,481)
Profit for the period		2,424,159	1,700,632
Profit/(loss) attributable to:			
— Owners of the Company		2,225,015	1,026,380
— Holders of perpetual capital instruments	15	199,917	677,368
— Non-controlling interests		(773)	(3,116)
		2,424,159	1,700,632
Basic and diluted earnings per share for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)		0.6925	0.3186

The notes on pages 28 to 59 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit for the period	2,424,159	1,700,632
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
— Fair value (losses)/gains on available-for-sale financial assets, net of tax	(115,763)	7,570
— Currency translation differences	(65,111)	8,607
Other comprehensive (loss)/income for the period, net of tax	(180,874)	16,177
Total comprehensive income for the period	2,243,285	1,716,809
Total comprehensive income/(loss) for the period attributable to:		
— Owners of the Company	2,044,141	1,042,443
— Holders of perpetual capital instruments	199,917	677,368
— Non-controlling interests	(773)	(3,002)
	2,243,285	1,716,809

The notes on pages 28 to 59 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited							
	Attributable to owners of the Company					Perpetual capital instruments	Non-controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2016	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380
Total comprehensive income for the period ended 30 June 2016	—	—	(180,874)	2,225,015	2,044,141	199,917	(773)	2,243,285
Transactions with owners								
Acquisition of subsidiaries	—	—	—	—	—	—	(218,755)	(218,755)
Capital contributions from non-controlling interests	—	—	—	—	—	—	10,000	10,000
Disposals of shares held for Share Award Scheme (Note 14)	—	88,947	44,570	—	133,517	—	—	133,517
Additions of perpetual capital instruments (Note 15)	—	—	—	—	—	2,400,000	—	2,400,000
Redemptions of perpetual capital instruments (Note 15)	—	—	—	—	—	(7,900,000)	—	(7,900,000)
Distributions to holders of perpetual capital instruments (Note 15)	—	—	—	—	—	(273,719)	—	(273,719)
Total transactions with owners	—	88,947	44,570	—	133,517	(5,773,719)	(208,755)	(5,848,957)
Balance at 30 June 2016	805,592	—	4,454,644	37,629,038	42,889,274	2,404,067	318,367	45,611,708
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Total comprehensive income for the period ended 30 June 2015	—	—	16,063	1,026,380	1,042,443	677,368	(3,002)	1,716,809
Transactions with owners								
Disposals of shares held for Share Award Scheme (Note 14)	—	22,707	7,196	—	29,903	—	—	29,903
Redemptions of perpetual capital instruments (Note 15)	—	—	—	—	—	(5,625,000)	—	(5,625,000)
Distributions to holders of perpetual capital instruments (Note 15)	—	—	—	—	—	(696,400)	—	(696,400)
Total transactions with owners	—	22,707	7,196	—	29,903	(6,321,400)	—	(6,291,497)
Balance at 30 June 2015	805,592	(106,004)	4,562,081	31,776,038	37,037,707	10,004,384	528,783	47,570,874

The notes on pages 28 to 59 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
— Cash generated from operations	4,136,858	4,252,596
— Interest paid	(2,706,815)	(2,722,555)
— Enterprise income tax and land appreciation tax paid	(2,664,662)	(2,472,984)
Net cash used in operating activities	(1,234,619)	(942,943)
Cash flows from investing activities		
— Purchases of property, plant and equipment and land use rights	(467,738)	(633,953)
— Purchases of intangible assets	(101,017)	(94,213)
— Additions in investment properties	—	(76,773)
— Proceeds on disposals of property, plant and equipment	29,819	3,295
— Proceeds on disposals of investment properties	—	43,392
— Proceeds on disposals of intangible assets	128,000	—
— Acquisition of subsidiaries, net of cash acquired	(115,165)	—
— Prepayment for acquisition of a subsidiary	—	(281,990)
— Investments in available-for-sale financial assets and an associate	(122,100)	—
— Cash advanced to joint ventures and associates	—	(520,172)
— Cash repayments from joint ventures and associates	—	349,202
— Dividends received on available-for-sale financial assets	13,204	—
— Decrease in time deposits	392,279	—
— Interest received	78,965	63,596
Net cash used in investing activities	(163,753)	(1,147,616)
Cash flows from financing activities		
— Proceeds from borrowings, net of transaction costs	40,310,909	16,928,095
— Proceeds from issuance of perpetual capital instruments	2,400,000	—
— Redemptions of perpetual capital instruments	(7,900,000)	(5,625,000)
— Repayments of borrowings	(18,132,030)	(9,839,149)
— Repayments of finance lease liabilities	(25,111)	(25,111)
— Increase in guarantee deposits for borrowing	(30,911)	(190,437)
— Proceeds from disposals of shares held for Share Award Scheme	133,517	29,903
— Capital contributions from non-controlling interests	10,000	—
— Distributions paid to holders of perpetual capital instruments	(273,719)	(696,400)
Net cash generated from financing activities	16,492,655	581,901
Net increase/(decrease) in cash and cash equivalents	15,094,283	(1,508,658)
Cash and cash equivalents at the beginning of the period	13,970,313	13,490,425
Exchange (losses)/gains	(88,988)	6,722
Cash and cash equivalents at the end of the period	28,975,608	11,988,489

The notes on pages 28 to 59 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are mainly engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45–54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 24 August 2016.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2016.

Standards/Interpretations	Subject of amendment
HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of the above new and amended standards did not have a material impact on the Group.

3. ACCOUNTING POLICIES (Continued)

- (b) New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2017 and have not been early adopted by the Group

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

There have been no changes in the risk management policies since 31 December 2015.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land bank, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2016					
Borrowings (excluding finance lease liabilities) (Note (1))	36,203,845	24,476,612	47,239,581	19,795,521	127,715,829
Finance lease liabilities	36,930	—	—	—	36,930
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,740,564	—	—	—	6,740,564
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	25,781,726	—	—	—	25,781,726
Guarantees in respect of borrowings of joint ventures and associates	1,474,669	805,807	600,856	—	2,881,332
At 31 December 2015					
Borrowings (excluding finance lease liabilities) (Note (1))	38,298,777	21,970,877	26,263,794	9,844,855	96,378,303
Finance lease liabilities	50,222	12,557	—	—	62,779
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,958,491	—	—	—	6,958,491
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	23,530,047	—	—	—	23,530,047
Guarantees in respect of borrowings of joint ventures and an associate	1,891,734	1,203,504	415,648	—	3,510,886

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 30 June 2016 and 31 December 2015 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 31 December 2015 respectively.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital markets or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents, restricted cash and time deposits.

The gearing ratio is calculated as follows:

	As at	
	30 June 2016	31 December 2015
Total borrowings (Note 16)	107,770,022	82,438,640
Less: cash and cash equivalents	(28,975,608)	(13,970,313)
restricted cash	(8,259,825)	(6,814,094)
time deposits	(107,721)	(500,000)
Net debt	70,426,868	61,154,233
Total equity	45,611,708	49,217,380
Gearing ratio	154.4%	124.3%

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, categorised into three different levels within a fair value hierarchy based on the type of input to valuation techniques used to estimate the fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2016 and 31 December 2015, the Group's financial assets that are measured at fair value are available-for-sale financial assets, which are categorised as level 3.

There were no transfers between level 1, level 2 and level 3 and no changes in valuation techniques during the period.

Level 3 financial instruments

	Six months ended 30 June	
	2016	2015
Available-for-sale financial assets		
Opening balance	645,140	535,477
Additions	102,100	—
Fair value (losses)/gains recognised as other comprehensive income	(154,350)	10,093
Closing balance	592,890	545,570

The fair value of the Group's major available-for-sale financial assets was revalued on 30 June 2016 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair values and carrying amounts of corporate bonds and senior notes are disclosed in Note 16.

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Time deposits
- Cash and cash equivalents
- Accruals and other payables
- Borrowings except corporate bonds and senior notes
- Financial lease liabilities

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2016 and 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2016					
Segment revenue	20,495,398	433,745	664,262	931,532	22,524,937
Inter-segment revenue	—	(33,616)	(28,563)	(73,323)	(135,502)
Revenue from external customers	20,495,398	400,129	635,699	858,209	22,389,435
Profit/(loss) for the period	2,070,208	693,768	(113,501)	(226,316)	2,424,159
Finance costs	(772,994)	(58,165)	(94,013)	(75,702)	(1,000,874)
Share of results of joint ventures	178,463	—	—	—	178,463
Share of results of associates	(14,501)	—	—	(353)	(14,854)
Income tax (expenses)/credits	(1,485,810)	(229,782)	37,834	70,144	(1,607,614)
Depreciation and amortisation	(108,290)	—	(156,128)	(35,997)	(300,415)
(Allowance for)/reversal of impairment losses	(14,235)	—	(235)	(21)	(14,491)
Fair value gains on investment properties — net of tax	—	538,360	—	—	538,360
	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2015					
Segment revenue	11,112,495	412,884	582,187	689,596	12,797,162
Inter-segment revenue	(6,889)	(26,314)	(14,129)	(30,690)	(78,022)
Revenue from external customers	11,105,606	386,570	568,058	658,906	12,719,140
Profit/(loss) for the period	1,223,308	751,195	(69,835)	(204,036)	1,700,632
Finance costs	(255,936)	(58,735)	(122,897)	(74,357)	(511,925)
Share of results of joint ventures	254,564	—	—	—	254,564
Share of results of associates	(4,770)	—	—	(330)	(5,100)
Income tax (expenses)/credits	(1,040,996)	(250,398)	23,278	76,635	(1,191,481)
Depreciation and amortisation	(94,681)	—	(96,474)	(29,666)	(220,821)
(Allowance for)/reversal of impairment losses	(3,156)	—	213	511	(2,432)
Fair value gains on investment properties — net of tax	—	590,029	—	—	590,029

6. SEGMENT INFORMATION (Continued)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2016					
Segment assets	169,717,959	21,044,983	9,495,312	1,009,176	201,267,430
Segment assets include:					
Interests in joint ventures	6,211,190	—	—	—	6,211,190
Interests in associates	9,147	—	—	82,644	91,791
Additions to non-current assets (other than financial instruments and deferred tax assets)	303,884	1,075,918	209,549	100,575	1,689,926
Segment liabilities	36,897,598	—	292,975	476,805	37,667,378
As at 31 December 2015					
Segment assets	152,617,182	19,251,951	6,854,021	1,069,451	179,792,605
Segment assets include:					
Interests in joint ventures	5,954,631	—	—	—	5,954,631
Interests in associates	8,056	—	—	62,996	71,052
Additions to non-current assets (other than financial instruments and deferred tax assets)	603,789	154,587	916,262	145,011	1,819,649
Segment liabilities	36,287,953	—	256,897	590,730	37,135,580

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACQUISITION OF HUIZHOU GOLDEN SWAN HOT SPRING CO., LTD.

On 5 February 2016, the Group completed an acquisition of 100% equity interests in Huizhou Golden Swan Hot Spring Co. Ltd. ("Golden Swan") from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000. The acquisition is expected to enable the Group to take advantage of the evolving market trend in Huizhou and increase the diversity of the Group's hotel portfolio.

The following table summarises the consideration paid for Golden Swan, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	5 February 2016
Purchase consideration	
— Cash paid	530,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fair value	
Cash and cash equivalents	8,552
Properties under development	791,344
Inventories	2,330
Tax prepayments	1,116
Property, plant and equipment	869,932
Land use rights	40,211
Interests in a joint venture	78,793
Trade and other receivables and prepayments	27,860
Accruals and other payables	(343,859)
Short-term borrowings	(549,400)
Long-term borrowings	(290,000)
Net deferred tax liabilities	(106,879)
Total identifiable net assets	530,000
Cash outflow on acquisition, net of cash acquired	
Total cash consideration	530,000
Less: cash consideration paid in prior years	(434,000)
Less: cash consideration to be paid as at 30 June 2016	(96,000)
Cash consideration paid in the six months ended 30 June 2016	—
Add: cash and cash equivalents in the subsidiary acquired	8,552
Cash inflow on acquisition in the six months ended 30 June 2016	8,552

7. ACQUISITION OF HUIZHOU GOLDEN SWAN HOT SPRING CO., LTD. (Continued)

(a) Acquired receivables

The fair value of trade and other receivables is RMB27,722,000 and includes trade receivables with a fair value of RMB5,958,000. The gross contractual amount for trade receivables due is RMB2,960,000, all of which is expected to be collectible.

(b) Revenue and profit contribution

The acquired business contributed revenue of RMB11,860,000 and net loss of RMB22,303,000 to the Group for the period from 5 February 2016 to 30 June 2016. Had Golden Swan been consolidated from 1 January 2016, the condensed consolidated interim income statement would show pro-forma revenue of RMB22,393,278,000 and profit of RMB2,417,706,000.

8. CAPITAL EXPENDITURE

	Property, plant and equipment				
	Intangible assets	Investment properties	Owned assets	Assets acquired	
				under finance lease	Land use rights
Six months ended 30 June 2016					
At 1 January 2016	1,034,849	19,251,951	8,706,730	303,134	1,264,041
Additions	101,017	1,075,918	322,846	5,017	185,128
Currency translation differences	(7)	—	684	—	—
Acquisitions of subsidiaries	180	—	871,082	—	49,811
Disposals	(34,301)	—	(5,656)	—	—
Fair value gains (included in other income and other gains — net)	—	717,114	—	—	—
Depreciation and amortisation	(38,694)	—	(226,678)	(12,720)	(22,323)
At 30 June 2016	1,063,044	21,044,983	9,669,008	295,431	1,476,657
Six months ended 30 June 2015					
At 1 January 2015	977,958	18,047,632	7,167,364	328,277	1,198,045
Additions	94,213	76,773	722,639	—	2,800
Transfers from properties under development	—	—	116,412	—	13,404
Disposals	—	(55,920)	(2,109)	—	—
Fair value gains (included in other income and other gains — net)	—	786,705	—	—	—
Depreciation and amortisation	(30,082)	—	(168,236)	(12,571)	(21,739)
At 30 June 2015	1,042,089	18,855,190	7,836,070	315,706	1,192,510

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE (Continued)

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2016, 30 June 2015 and 31 December 2015. The fair value gains or losses are included in "other income and other gains — net" (Note 18).

As at 30 June 2016, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(b) Valuation processes of the Group

The Group's investment properties were revalued on 30 June 2016 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(c) Valuation techniques

For completed office and retail buildings, valuations are based on the term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting the term rates and the reversionary income potential with appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

There were no changes to the valuation techniques during the period.

8. CAPITAL EXPENDITURE (Continued)

(d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, reversionary yield and market rent

For completed investment properties, increase in term yield and reversionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

9. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2016	2015
At 1 January	5,954,631	4,617,519
Acquisition of a subsidiary	78,793	—
Share of results	178,463	254,564
Elimination of unrealised profits	(697)	(797)
At 30 June	6,211,190	4,871,286

10. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2016	2015
At 1 January	71,052	86,213
Addition	20,000	—
Share of results	739	(3,534)
At 30 June	91,791	82,679

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June 2016	31 December 2015
Trade receivables — net	4,839,596	4,864,843
Other receivables — net	7,174,743	5,884,946
Prepayments	1,376,009	2,587,669
Due from joint ventures (Note 24(g))	1,883,274	1,737,889
Due from associates (Note 24(g))	2,430,314	2,547,373
Total	17,703,936	17,622,720
Less: non-current portion	(1,173,175)	(4,046,552)
Current portion	16,530,761	13,576,168

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

As at 30 June 2016, trade receivables mainly arose from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June 2016	31 December 2015
Trade receivables	4,868,145	4,885,021
Less: allowance for impairment	(28,549)	(20,178)
	4,839,596	4,864,843

At 30 June 2016 and 31 December 2015, the ageing analysis of trade receivables is as follows:

	As at	
	30 June 2016	31 December 2015
0 to 90 days	2,344,427	2,879,142
91 to 180 days	934,356	346,186
181 to 365 days	381,649	515,746
1 year to 2 years	408,070	877,741
Over 2 years	799,643	266,206
	4,868,145	4,885,021

12. RESTRICTED CASH

	As at	
	30 June 2016	31 December 2015
Guarantee deposits for construction of pre-sold properties (Note (a))	6,046,516	4,663,642
Guarantee deposits for resettlement costs (Note (b))	38,238	45,585
Guarantee deposits for construction payables (Note (c))	48,570	35,996
Guarantee deposits for borrowings (Note (d))	1,001,150	970,239
Guarantee deposits for mortgage loans provided to customers (Note (e))	35,931	19,583
Guarantee deposits for interest of senior notes (Note (f))	455,989	583,515
Others (Note (g))	633,431	495,534
	8,259,825	6,814,094

Notes:

- (a) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings which are subject to demolition for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (c) According to relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payable as deposits for potential default in payment. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.
- (e) According to relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (f) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.
- (g) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

13. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2016 and 31 December 2015		
— Domestic shares	2,207,109	551,777
— H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2016 and 31 December 2015, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

14. SHARES HELD FOR SHARE AWARD SCHEME

	Six months ended 30 June	
	2016	2015
At 1 January	88,947	128,711
Disposals of shares held for Share Award Scheme	(88,947)	(22,707)
At 30 June	—	106,004

On 23 August 2011, a Share Award Scheme (the "Scheme") was approved and adopted by the Board of Directors of the Company. The Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 30 June 2016, all H shares held by the Scheme were disposed of.

15. PERPETUAL CAPITAL INSTRUMENTS

	Six months ended 30 June	
	2016	2015
At 1 January	7,977,869	15,648,416
Additions	2,400,000	—
Redemptions	(7,900,000)	(5,625,000)
Profit attributable to holders of perpetual capital instruments	199,917	677,368
Distributions to holders of perpetual capital instruments	(273,719)	(696,400)
At 30 June	2,404,067	10,004,384

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries and secured by pledges of the shares of certain subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS

	As at	
	30 June 2016	31 December 2015
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
— Secured	33,656,560	31,422,069
— Unsecured	5,462,100	6,177,530
	39,118,660	37,599,599
Corporate bonds (Note (b))		
— Unsecured	33,707,496	6,429,519
Senior notes (Note (c))		
— Secured	10,506,758	12,776,880
Other borrowings (Note (d))		
— Secured	17,678,348	19,010,527
— Unsecured	1,900,000	900,000
	19,578,348	19,910,527
Finance lease liabilities (Note (e))		
— Secured	36,930	60,519
Less: current portion of long-term borrowings	(25,064,136)	(27,017,646)
	77,884,056	49,759,398
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
— Secured	1,325,500	37,500
— Unsecured	423,000	1,284,096
	1,748,500	1,321,596
Other borrowings (Note (d))		
— Secured	1,640,000	2,740,000
— Unsecured	1,433,330	1,600,000
	3,073,330	4,340,000
	4,821,830	5,661,596
Current portion of long-term borrowings	25,064,136	27,017,646
Total borrowings	107,770,022	82,438,640

16. BORROWINGS (Continued)

(a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2016	2015
At 1 January	38,921,195	34,538,686
Additions	8,386,179	9,928,095
Acquisitions of subsidiaries	2,779,910	—
Repayments	(9,220,124)	(4,131,129)
At 30 June	40,867,160	40,335,652

(b) Corporate bonds

(i) 2015 Bonds

The Company issued 65,000,000 units of domestic bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015 (the "2015 Bonds"). The 2015 Bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the 2015 Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate by up to 100 basis points for the remaining periods. The 2015 Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

(ii) 2016 Bonds

The Company issued 60,000,000 units of domestic bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the "Original 2016 Bonds"). The Original 2016 Bonds were listed on the Shanghai Stock Exchange on 9 March 2016.

The Company further issued 36,000,000 units of domestic bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the "Additional 2016 Bonds I"). The Additional 2016 Bonds I were listed on the Shanghai Stock Exchange on 11 March 2016.

The interest rates of the Original 2016 Bonds and Additional 2016 Bonds I are fixed at 3.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rates for the remaining periods. The Original 2016 Bonds and Additional 2016 Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

The Company further issued 19,500,000 units of domestic bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the "Additional 2016 Bonds II"). The Additional 2016 Bonds II were listed on the Shanghai Stock Exchange on 3 May 2016.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (Continued)

(b) Corporate bonds (Continued)

(ii) 2016 Bonds (Continued)

The interest rate of the Additional 2016 Bonds II is fixed at 3.48% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 9,500,000 units of domestic bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Bonds III” and, together with the Original 2016 Bonds, the Additional 2016 Bonds I and II, the “2016 Bonds”). The Additional 2016 Bonds III were listed on the Shanghai Stock Exchange on 3 May 2016.

The interest rate of the Additional 2016 Bonds III is fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

The net proceeds of all the 2016 Bonds, after deducting the transaction costs, amounted to RMB12,382,400,000.

(iii) 2016 Non-public Bonds

The Company issued 46,000,000 units of domestic non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the “Original 2016 Non-public Bonds”).

The interest rate of the Original 2016 Non-public Bonds are fixed at 5.20% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 104,000,000 units of domestic non-public bonds at a par value of RMB10.4 billion in the PRC on 30 May 2016 (the “Additional 2016 Non-public Bonds” and, together with the Original 2016 Non-public Bonds, the “2016 Non-public Bonds”).

The interest rate of the Additional 2016 Non-public Bonds is fixed at 5.15% per annum. On the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Non-public Bonds will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The net proceeds of the 2016 Non-public Bonds, after deducting the transaction costs, amounted to RMB14,878,000,000.

The fair values of the 2015 Bonds and 2016 Bonds as at 30 June 2016 amounted to RMB19,354,000,000. The fair values were determined by reference to the price quotations published on 30 June 2016 and were within level 1 of the fair value hierarchy.

The fair value of the 2016 Non-public Bonds as at 30 June 2016 amounted to RMB15,218,641,000. The fair values were based on cash flows discounted at the borrowing rate of 4.9% and 4.75%, respectively, and were within level 2 of the fair value hierarchy.

16. BORROWINGS (Continued)

(b) Corporate bonds (Continued)

The movements of corporate bonds are set out below:

	Six months ended 30 June	
	2016	2015
At 1 January	6,429,519	—
Issuance of 2016 Bonds	12,382,400	—
Issuance of 2016 Non-public Bonds	14,878,000	—
Interest charged (Note 19)	453,622	—
Interest included in other payables	(436,045)	—
At 30 June	33,707,496	—

(c) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

On 29 April 2016, Big Will redeemed the 2011 Notes in full at a redemption price equal to 100% of the principal amount of the 2011 Notes outstanding thereof which amounted to RMB994,680,000 plus the accrued and unpaid interest of RMB52,680,000 as of 29 April 2016.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

On 29 April 2016, Big Will redeemed the 2012 Notes in full at a redemption price equal to 100% of the principal amount of the 2012 Notes outstanding thereof which amounted to RMB1,578,225,600 plus the accrued and unpaid interest of RMB83,586,000 as of 29 April 2016.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2015: 8.87% to 12.25%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2016	2015
At 1 January	12,776,880	11,987,708
Redemptions of the 2011 and 2012 Notes	(2,572,906)	—
Interest charged (Note 19)	574,435	560,392
Interest included in other payables	(544,376)	(528,170)
Foreign exchange losses/(gains)	272,725	(10,703)
At 30 June	10,506,758	12,009,227

The fair values of the senior notes as at 30 June 2016 amounted to RMB11,278,013,000 (31 December 2015: RMB13,252,554,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on the last trading date of June 2016.

16. BORROWINGS (Continued)

(d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 廣州盛安創富投資管理有限公司, which is an associate of the Company and in which certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 5.23% to 13.18% (2015: 6.25% to 12.33%).

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2016	2015
At 1 January	24,250,527	21,026,944
Additions	4,664,330	7,000,000
Acquisition of a subsidiary	100,000	—
Repayments	(6,339,000)	(5,708,020)
Interest charged (Note 19)	1,045,370	954,409
Interest included in other payables	(1,069,549)	(934,807)
At 30 June	22,651,678	22,338,526

(e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. Upon the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB94,830,000.

	As at	
	30 June 2016	31 December 2015
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	37,668	50,222
Later than 1 year and no later than 5 years	—	12,557
	37,668	62,779
Future finance charges on finance leases	(738)	(2,260)
Present value of finance lease liabilities	36,930	60,519
The present value of finance lease liabilities is as follows:		
No later than 1 year	36,930	48,176
Later than 1 year and no later than 5 years	—	12,343
	36,930	60,519

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

16. BORROWINGS (Continued)

- (f) As at 30 June 2016, bank and other borrowings totalling RMB54,300,408,000 (31 December 2015: RMB53,210,096,000) of the Group were secured by the following:

	As at	
	30 June 2016	31 December 2015
Land use rights	910,538	804,637
Property, plant and equipment	4,507,948	4,329,669
Investment properties	15,553,021	11,686,175
Properties under development	34,072,013	29,687,144
Completed properties held for sale	906,712	1,472,747
Restricted cash	976,000	817,000
Equity investments in subsidiaries	3,001,002	3,059,000
	59,927,234	51,856,372

- (g) The majority of unsecured bank and other borrowings were supported by guarantees issued by the Company or subsidiaries. Details are as follows:

	As at	
	30 June 2016	31 December 2015
Guarantors:		
— The Company	6,300,100	6,641,200
— Subsidiaries	1,350,000	1,561,096
	7,650,100	8,202,296

17. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2016	31 December 2015
Amounts due to joint ventures (Notes (a) and 24(g))	1,695,467	2,032,153
Advance from a joint venture (Note 24(g))	2,500	13,720
Construction payables (Note (b))	8,349,241	9,144,332
Other payables and accrued charges (Note (c))	7,661,613	7,537,707
	17,708,821	18,727,912

- (a) The amounts are unsecured, interest free and are repayable on demand.
- (b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.
- (c) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.

18. OTHER INCOME AND OTHER GAINS — NET

	Six months ended 30 June	
	2016	2015
Fair value gains on investment properties — net	717,114	786,705
Other operating (expenses)/income	(27,255)	37,750
Dividends received on available-for-sale financial assets	13,204	—
Gains on disposals of property, plant and equipment	24,163	1,186
Gains on disposals of intangible assets	93,699	—
Losses on disposals of investment properties	—	(12,528)
Interest income	78,965	63,596
Others	16,415	23,276
	916,305	899,985

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

19. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
Interest expenses:		
— bank borrowings	1,163,429	1,296,058
— corporate bonds (Note 16 (b))	453,622	—
— senior notes (Note 16 (c))	574,435	560,392
— other borrowings (Note 16 (d))	1,045,370	954,409
— finance lease liabilities	1,522	3,397
	3,238,378	2,814,256
Net foreign exchange (gains)/losses	(120,284)	209,215
Less: finance costs capitalised	(2,117,220)	(2,511,546)
	1,000,874	511,925

20. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
Current income tax		
— PRC enterprise income tax (Note (b))	732,635	428,515
Deferred income tax	169,707	219,737
	902,342	648,252
Current PRC land appreciation tax (Note (c))	705,272	543,229
Total income tax expenses	1,607,614	1,191,481

20. INCOME TAX EXPENSES (Continued)

(a) Hong Kong and overseas profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2015: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the six months ended 30 June 2016, except for certain companies in the Group which were taxed at 2%–3% (2015: 2%–3%) on their revenue, other businesses within the Group were primarily taxed at 25% (2015: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

21. DIVIDENDS

	Six months ended 30 June	
	2016	2015
Interim dividend of RMB0.30 (2015: RMB0.30) per ordinary share	966,710	966,710
Less: dividends for shares held by Share Award Scheme	—	(5,280)
	966,710	961,430

An interim dividend in respect of the six months ended 30 June 2016 of RMB0.30 per ordinary share, totalling RMB966,710,000 was proposed by the board of directors (six months ended 30 June 2015: RMB966,710,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2016.

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

22. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2016 are analysed as follows:

	As at	
	30 June 2016	31 December 2015
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	25,781,726	23,530,047
Guarantees in respect of borrowings of joint ventures and associates (Notes (b))	2,881,332	3,510,886
	28,663,058	27,040,933

Notes:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

23. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June 2016	31 December 2015
Contracted but not provided for		
— Properties development activities	12,020,186	10,506,112
— Acquisitions of land use rights	9,534,803	12,676,645
	21,554,989	23,182,757

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2016	31 December 2015
Not later than one year	32,969	33,040
Later than one year and not later than five years	47,625	41,454
Over five years	50,191	53,538
	130,785	128,032

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

	Six months ended 30 June	
	2016	2015
Salaries and welfare benefits	10,524	8,946

(b) Provision of property management services

	Six months ended 30 June	
	2016	2015
A joint venture: 天津津南新城房地產開發有限公司 ("津南新城")	4,663	3,762

(c) Provision of decoration, design and construction services

	Six months ended 30 June	
	2016	2015
Joint ventures:		
廣州市富景房地產開發有限公司 ("廣州富景")	85,504	89,598
貴州大西南房地產開發有限公司 ("貴州大西南")	23,537	6,550
廣州市森華房地產有限公司 ("森華房地產")	8,449	—
津南新城	2,707	351
廣西富雅投資有限公司 ("廣西富雅")	943	—
	121,140	96,499

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

(d) Purchase of installation services

	Six months ended 30 June	
	2016	2015
Controlled by an immediate family member of the major shareholder: 廣州鉅融機電工程有限公司	25,385	999
Common shareholders: 廣州越富環保科技有限公司	5,485	—
	30,870	999

(e) Acquisition of a subsidiary

On 5 February 2016, the Group completed an acquisition of 100% equity interests in Golden Swan from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000. Details are disclosed in Note 7.

(f) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and the associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2016, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(i) Bank borrowings

	As at	
	30 June 2016	31 December 2015
Joint ventures:		
Charm Talent Limited	317,307	424,136
森華房地產	153,800	199,600
津南新城	128,558	128,558
廣西富雅	125,000	49,900
貴州大西南	107,000	120,000
	831,665	922,194
Associates:		
廣州利合房地產開發有限公司 ("廣州利合")	421,860	471,900
河南建業富居投資有限公司 ("河南建業")	135,000	—
	556,860	471,900
	1,388,525	1,394,094

Notes to the Condensed Consolidated Interim Financial Information

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

(f) Provision of guarantees for borrowings (Continued)

(ii) Other borrowings

	As at	
	30 June 2016	31 December 2015
A joint venture:		
上海城投悦城置業有限公司 (“上海悦城”)	—	300,000
Associates:		
廣州利合	1,026,000	1,310,000
河南建業	225,000	225,000
	1,251,000	1,535,000
	1,251,000	1,835,000

(g) Balances with related parties

As at 30 June 2016, the Group had the following significant balances with related parties:

	As at	
	30 June 2016	31 December 2015
Due from:		
Joint ventures		
— Non-trade balances		
津南新城	1,173,176	1,173,176
貴州大西南	351,234	241,234
Hines Shanghai New Jiangwan Development Co., Ltd.	175,736	170,330
廣州市騰順投資有限公司	173,125	153,146
廣西富雅	10,003	3
	1,883,274	1,737,889

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

(g) Balances with related parties (Continued)

	As at	
	30 June 2016	31 December 2015
Due from:		
Associates		
— Non-trade balance		
廣州利合	2,332,697	2,439,377
河南建業	97,617	107,996
	2,430,314	2,547,373
	4,313,588	4,285,262
Due to:		
Joint ventures		
— Non-trade balances		
上海悦城	839,637	1,119,637
廣州富景	380,086	442,062
森華房地產	289,000	239,000
和榮有限公司	109,168	231,454
北京盛興天和投資管理有限公司	77,576	—
	1,695,467	2,032,153
Advance from:		
A joint venture		
貴州大西南	2,500	13,720

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and settled according to contract terms.

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 29 June 2016, the Company issued 93,000,000 units of domestic corporate bonds with aggregate principal amount of RMB9.3 billion in the PRC (the "Bonds"). The Bonds will mature after four years from the date of issue. The net proceeds of the Bonds were received on 4 July 2016.

Supplementary Information

(All amounts in RMB Yuan thousands unless otherwise stated)

RECONCILIATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group has prepared a separate set of consolidated financial statements for the period ended 30 June 2016 in accordance with China Accounting Standards for Business Enterprises ("CAS"). The differences between the consolidated financial statements prepared under CAS and HKFRS are summarised as follows:

	Profit for the period ended 30 June		Total equity as at	
	2016	2015	30 June 2016	31 December 2015
As stated in accordance with CAS	2,434,095	1,719,431	45,578,583	49,174,319
Impact of HKFRS adjustments:				
1. Amortisation of revaluation gain arising from business combinations	(13,248)	(3,256)	44,167	57,415
2. Deferred taxation	3,312	(15,543)	(11,042)	(14,354)
As stated in accordance with HKFRS	2,424,159	1,700,632	45,611,708	49,217,380

Notes:

1. The Group adopted SSAP27 "Accounting for Group Reconstructions" for acquisition of certain subsidiaries before the issuance of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" in November 2005. As the acquisitions did not meet the conditions for using merger accounting under SSAP 27, which prevented the use of predecessor costs when non-controlling interests or rights of the ultimate shareholder have changed, the Group adopted purchase method to account for the acquisitions.
2. It refers to the effects of deferred tax arising from the above adjustments and recognition of deferred tax due to tax rate difference.

Independent Auditor's Report



羅兵咸永道

To the shareholders of Guangzhou R&F Properties Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries set out on pages 67 to 156, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 11 March 2016

Consolidated balance sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	2015	2014
ASSETS			
Non-current assets			
Land use rights	6	1,264,041	1,198,045
Property, plant and equipment	7	9,009,864	7,495,641
Investment properties	8	19,251,951	18,047,632
Intangible assets	9	1,034,849	977,958
Interests in joint ventures	11	5,954,631	4,617,519
Interests in associates	12	71,052	86,213
Deferred income tax assets	27	3,295,186	2,927,764
Available-for-sale financial assets	13	645,140	535,477
Trade and other receivables and prepayments	17	4,046,552	3,772,884
		44,573,266	39,659,133
Current assets			
Properties under development	15	78,671,926	81,327,691
Completed properties held for sale	16	22,427,988	17,222,116
Inventories		414,888	358,831
Trade and other receivables and prepayments	17	13,576,168	10,890,728
Tax prepayments		2,784,288	2,551,852
Restricted cash	18	6,814,094	6,339,497
Time deposits	19	500,000	—
Cash and cash equivalents	20	13,970,313	13,490,425
		139,159,665	132,181,140
Total assets		183,732,931	171,840,273
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	805,592	805,592
Other reserves	22	4,590,948	4,538,822
Shares held for Share Award Scheme	23	(88,947)	(128,711)
Retained earnings		35,404,023	30,749,658
		40,711,616	35,965,361
Perpetual capital instruments	24	7,977,869	15,648,416
Non-controlling interests		527,895	531,785
Total equity		49,217,380	52,145,562

Consolidated balance sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	2015	2014
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	49,759,398	45,553,602
Accruals and other payables	25	—	171,222
Deferred income tax liabilities	27	3,935,947	3,278,908
		53,695,345	49,003,732
Current liabilities			
Accruals and other payables	25	18,727,912	19,270,956
Deposits received on sale of properties		18,407,668	19,225,725
Current income tax liabilities	28	11,005,384	10,089,230
Short-term borrowings	26	5,661,596	3,085,000
Current portion of long-term borrowings	26	27,017,646	19,020,068
		80,820,206	70,690,979
Total liabilities		134,515,551	119,694,711
Total equity and liabilities		183,732,931	171,840,273

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

The financial statements on pages 67 to 156 were approved by the Board of Directors on 11 March 2016 and were signed on its behalf.

Li Sze Lim
 Director

Zhang Li
 Director

Consolidated income statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Revenue	5	44,290,924	34,705,410
Cost of sales	30	(30,083,853)	(22,391,431)
Gross profit		14,207,071	12,313,979
Other income and other gains — net	29	1,518,092	2,030,304
Selling and marketing costs	30	(896,657)	(896,059)
Administrative expenses	30	(2,409,572)	(2,220,501)
Operating profit		12,418,934	11,227,723
Finance costs	32	(2,153,995)	(1,215,921)
Share of results of joint ventures		1,343,455	169,789
Share of results of associates		(18,893)	(25,205)
Profit before income tax		11,589,501	10,156,386
Income tax expenses	33	(4,877,229)	(3,649,997)
Profit for the year		6,712,272	6,506,389
Profit attributable to:			
— Owners of the Company		5,615,795	5,220,603
— Holders of perpetual capital instruments		1,105,249	1,331,328
— Non-controlling interests		(8,772)	(45,542)
		6,712,272	6,506,389
Basic and diluted earnings per share for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)	34	1.7524	1.6325

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2015	2014
Profit for the year		6,712,272	6,506,389
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
— Fair value gains on available-for-sale financial assets, net of tax	22	17,498	173,683
— Currency translation differences		24,173	5,810
Other comprehensive income for the year, net of tax		41,671	179,493
Total comprehensive income for the year		6,753,943	6,685,882
Total comprehensive income attributable to:			
— Owners of the Company		5,657,262	5,400,096
— Holders of perpetual capital instruments		1,105,249	1,331,328
— Non-controlling interests		(8,568)	(45,542)
		6,753,943	6,685,882

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual capital instruments	Non- Controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2014	805,592	(172,563)	4,344,253	27,129,554	32,106,836	1,000,000	375,207	33,482,043
Comprehensive income								
Profit for the year	—	—	—	5,220,603	5,220,603	1,331,328	(45,542)	6,506,389
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	173,683	—	173,683	—	—	173,683
Currency translation differences	—	—	5,810	—	5,810	—	—	5,810
Total other comprehensive income, net of tax	—	—	179,493	—	179,493	—	—	179,493
Total comprehensive income for the year	—	—	179,493	5,220,603	5,400,096	1,331,328	(45,542)	6,685,882
Transactions with owners								
Decrease in ownership interests in a subsidiary without change of control	—	—	—	—	—	—	200,277	200,277
Acquisition of subsidiaries	—	—	—	—	—	—	1,843	1,843
Dividends for the year	—	—	—	(1,600,499)	(1,600,499)	—	—	(1,600,499)
Disposals of shares held for Share Award Scheme	—	43,852	15,076	—	58,928	—	—	58,928
Issuance of perpetual capital instruments	—	—	—	—	—	14,543,912	—	14,543,912
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(1,226,824)	—	(1,226,824)
Total transactions with owners	—	43,852	15,076	(1,600,499)	(1,541,571)	13,317,088	202,120	11,977,637
Balance at 31 December 2014	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562

Consolidated statement of changes in equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual capital instruments	Non-Controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Comprehensive income								
Profit for the year	—	—	—	5,615,795	5,615,795	1,105,249	(8,772)	6,712,272
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	17,498	—	17,498	—	—	17,498
Currency translation differences	—	—	23,969	—	23,969	—	204	24,173
Total other comprehensive income, net of tax	—	—	41,467	—	41,467	—	204	41,671
Total comprehensive income for the year	—	—	41,467	5,615,795	5,657,262	1,105,249	(8,568)	6,753,943
Transactions with owners								
Changes in ownership interests in subsidiaries without change of control	—	—	(2,203)	—	(2,203)	—	2,203	—
Acquisition of subsidiaries	—	—	—	—	—	—	2,475	2,475
Dividends for the year	—	—	—	(961,430)	(961,430)	—	—	(961,430)
Disposals of shares held for Share Award Scheme	—	39,764	12,862	—	52,626	—	—	52,626
Redemptions of perpetual capital instruments	—	—	—	—	—	(7,643,912)	—	(7,643,912)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(1,131,884)	—	(1,131,884)
Total transactions with owners	—	39,764	10,659	(961,430)	(911,007)	(8,775,796)	4,678	(9,682,125)
Balance at 31 December 2015	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Cash generated from/(used in) operations	36	9,572,573	(12,407,150)
Interest paid		(5,930,702)	(5,842,478)
Enterprise income tax and land appreciation tax paid		(3,997,766)	(3,815,173)
Net cash used in operating activities		(355,895)	(22,064,801)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,302,766)	(971,283)
Purchases of intangible assets		(158,568)	(145,917)
Additions of investment properties		(136,323)	(161,420)
Proceeds from disposals of property, plant and equipment		15,568	25,393
Proceeds from disposals of investment properties		43,392	41,442
Proceeds from disposals of intangible assets		120,210	—
Investments in available-for-sale financial assets		(101,032)	(22,500)
Investments in joint ventures		—	(220,560)
Acquisition of subsidiaries, net of cash acquired		(106,009)	—
Prepayment made for acquisition of a subsidiary		(434,000)	—
Cash repayments from joint ventures and associates		585,660	879,078
Cash advances to joint ventures and associates		(892,026)	(1,771,515)
Dividends received on available-for-sale financial assets		4,332	—
Dividends received from an associate		6,015	5,615
Increase in time deposits		(500,000)	—
Increase in guarantee deposits for borrowings of a related party		(50,000)	—
Interest received		143,043	211,760
Net cash used in investing activities		(2,762,504)	(2,129,907)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		46,050,426	28,950,368
Repayments of borrowings		(32,031,877)	(22,886,034)
Repayments of finance lease liabilities		(50,222)	(50,222)
Proceeds from disposal of equity interests in a subsidiary		—	200,277
(Increase)/decrease in guarantee deposits for borrowings		(757,366)	1,994,960
Net proceeds from issuance of perpetual capital instruments		—	14,543,912
Redemption of perpetual capital instruments		(7,643,912)	—
Distributions paid to holders of perpetual capital instruments		(1,131,884)	(1,226,824)
Proceeds from disposals of shares for Share Award Scheme		52,626	58,928
Dividends paid to owners of the Company		(961,430)	(1,651,664)
Net cash generated from financing activities		3,526,361	19,933,701
Net increase/(decrease) in cash and cash equivalents		407,962	(4,261,007)
Exchange gains on cash and cash equivalents		71,926	29,270
Cash and cash equivalents at beginning of year		13,490,425	17,722,162
Cash and cash equivalents at end of year	20	13,970,313	13,490,425

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45–54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These financial statements are presented in RMB Yuan (RMB), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015.

Standards	Subject
Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010–2012 cycle
Annual improvements 2013	Annual improvements 2011–2013 cycle

The adoption of amended standards has no material impact on the Group’s financial statements except for disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New and amended standards and annual improvements not yet adopted*

A number of new standards, amendments to standards and annual improvements are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Group’s consolidated financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted in.

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other income and other gains — net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20–30 years
— Furniture, fixtures and equipment	3–5 years
— Transportation equipment	4–15 years
— Machinery	5–10 years

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains — net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other income and other gains — net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Construction licence*

Construction licence acquired in a business combination is recognised at fair value at the acquisition date. The directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) *Customer contracts*

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from five to ten years.

(e) *Football players*

The Group operates a football club. The costs associated with the acquisition of players' registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract or best estimated based on the player's physical conditions. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life — for example, goodwill or construction license — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

Dividends on available-for-sale equity instruments are recognised in the income statement as part of “other income and other gains — net” when the Group’s right to receive payments is established.

2.12 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.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary interest declared by the Group to the holders of perpetual capital instrument is treated as dividend.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost (Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.15 Land use rights

All lands in the PRC are state-owned and no individual ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at the lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Properties under development (Continued)

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties, provision of construction, hotel and property management services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company’s Employee Share Trust purchases H shares from the market, the consideration paid, including any directly attributable incremental costs is presented as Shares held for Share Award Scheme and presented as a deduction against equity attributable to the Company’s equity holders.

2.23 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(b) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) *Sale of properties*

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as "deposits received on sale of properties" under current liabilities.

(b) *Construction services*

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) *Rental income*

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(d) *Hotel operations*

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(e) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition (Continued)

(f) *Interest income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(g) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

(a) *The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC, Malaysia and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD"), US dollars ("USD"), Malaysia ringgits ("MYR"), Singapore dollars ("SGD") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2015 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,730	(1,730)
Accruals and other payables	(8,680)	8,680
Denominated in USD		
Cash and cash equivalents	279	(279)
Restricted cash	23,397	(23,397)
Borrowings	(479,133)	479,133
Denominated in MYR		
Cash and cash equivalents	978	(978)
Restricted cash	74	(74)
Trade and other receivables	22	(22)
Accruals and other payables	(194)	194
Denominated in AUD		
Cash and cash equivalents	447	(447)
Restricted cash	168	(168)
Trade and other receivables	287	(287)
Accruals and other payables	(698)	698
Denominated in SGD		
Cash and cash equivalents	16	(16)
Trade and other receivables	4	(4)
Accruals and other payables	(30)	30

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2014 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,001	(1,001)
Accruals and other payables	(15,968)	15,968
Denominated in USD		
Cash and cash equivalents	13,016	(13,016)
Restricted cash	20,619	(20,619)
Borrowings	(449,539)	449,539
Denominated in MYR		
Cash and cash equivalents	1,539	(1,539)
Trade and other receivables	499	(499)
Accruals and other payables	(656)	656
Denominated in AUD		
Cash and cash equivalents	352	(352)
Accruals and other payables	(500)	500
Denominated in SGD		
Cash and cash equivalents	10	(10)
Trade and other receivables	5	(5)
Accruals and other payables	(151)	151

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets, which are not publicly traded. Other components of equity would increase/decrease as a results of gains/losses on equity securities classified as available-for-sale. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's borrowings at variable rate were denominated in RMB.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate 25 basis points higher increase/(decrease) in profit for the year	25 basis points lower post-tax profit
Long-term borrowings at variable rates	(60,812)	60,812

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate 25 basis points higher increase/(decrease) in for the year	25 basis points lower post-tax profit
Long-term borrowings at variable rates	(50,561)	50,561

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-quality banks.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2015, no customer accounted for more than 5% of the Group's trade receivables (2014: Nil).

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantees to its joint ventures and associates for their borrowings.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investments in land banks, adjusting project development timetable to adapt to changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

During the year, the Group met the requirements for interest payments and principal repayments due on its borrowings. Based on the Group's accounting policy on borrowings described in Note 2.24 and certain terms and conditions in the relevant agreements, borrowings of RMB10.3 billion that have original contractual maturity after 31 December 2016 (out of the total related principal amount of RMB12.8 billion) were reclassified as current liabilities as at 31 December 2015.

In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group will have adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As disclosed in Note 42(b), the Group successfully issued long-term domestic corporate bonds of RMB9,600,000,000 in January 2016. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months from 31 December 2015.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2015					
Borrowings (excluding finance lease liabilities (Note (1)))	38,298,777	21,970,877	26,263,794	9,844,855	96,378,303
Finance lease liabilities	50,222	12,557	—	—	62,779
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,958,491	—	—	—	6,958,491
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	23,530,047	—	—	—	23,530,047
Guarantees in respect of borrowings of joint ventures and associates	1,888,459	1,200,230	364,356	—	3,453,045
At 31 December 2014					
Borrowings (excluding finance lease liabilities (Note (1)))	26,581,659	20,684,070	24,312,303	10,093,814	81,671,846
Finance lease liabilities	50,222	50,222	12,557	—	113,001
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,106,915	171,222	—	—	6,278,137
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	18,438,122	—	—	—	18,438,122
Guarantees in respect of borrowings of joint ventures and an associate	769,838	2,073,870	1,636,191	—	4,479,899

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents, restricted cash and time deposits.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
Total borrowings	82,438,640	67,658,670
Less: cash and cash equivalents	(13,970,313)	(13,490,425)
restricted cash	(6,814,094)	(6,339,497)
time deposits	(500,000)	—
Net debt	61,154,233	47,828,748
Total equity	49,217,380	52,145,562
Gearing ratio	124.3%	91.7%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 and 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

See Note 8 for disclosures of the investment properties that are measured at fair value.

	Available-for-sale financial assets	
	2015	2014
Level 3	645,140	535,477

(a) *Financial instruments in level 3*

The fair value of the Group's major available-for-sale financial assets was revalued on 31 December 2015 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

A sensitivity analysis of the Group's major available-for-sale financial assets is disclosed in Note 4.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) **Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the gross margin or growth rate had been lower than management estimates by 10% or discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of goodwill as at 31 December 2015.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of construction licenses

Useful life of construction licenses is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the royalty rate or growth rate had been lower than management estimates by 10% or the discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of construction licenses as at 31 December 2015.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in the income tax expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognised these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 8.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions used in the valuation could affect reported fair value of available-for-sale financial assets.

If the market price had been lower than management estimates by 5% with other variables held constant, the carrying amount of available-for-sale financial assets would have been lowered by RMB28,430,000.

(g) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2015, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2014: Nil).

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	40,744,245	925,827	1,226,483	1,852,650	44,749,205
Inter-segment revenue	—	(68,572)	(45,333)	(344,376)	(458,281)
Revenue from external customers	40,744,245	857,255	1,181,150	1,508,274	44,290,924
Profit/(loss) for the year	6,178,335	1,210,431	(167,446)	(509,048)	6,712,272
Finance costs	(1,639,068)	(128,414)	(221,168)	(165,345)	(2,153,995)
Share of results of joint ventures	1,343,455	—	—	—	1,343,455
Share of results of associates	(30,828)	—	—	11,935	(18,893)
Income tax (expenses)/credits	(4,709,625)	(401,518)	55,815	178,099	(4,877,229)
Depreciation and amortisation	(185,145)	—	(207,937)	(60,427)	(453,509)
(Allowance for)/reversal of allowance for impairment losses of receivables	(29,034)	—	66	(24)	(28,992)
Fair value gains on investment properties — net of tax	—	830,709	—	—	830,709
Segment assets	152,617,182	19,251,951	6,854,021	1,069,451	179,792,605
Segment assets include:					
Interests in joint ventures	5,954,631	—	—	—	5,954,631
Interests in associates	8,056	—	—	62,996	71,052
Addition to non-current assets (other than financial instruments and deferred tax assets)	603,789	154,587	916,262	145,011	1,819,649
Segment liabilities	36,287,953	—	256,897	590,730	37,135,580

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	31,650,997	879,847	1,137,521	1,358,864	35,027,229
Inter-segment revenue	—	(52,584)	(28,918)	(240,317)	(321,819)
Revenue from external customers	31,650,997	827,263	1,108,603	1,118,547	34,705,410
Profit/(loss) for the year	5,449,418	1,576,066	(139,619)	(379,476)	6,506,389
Finance costs	(697,934)	(155,492)	(231,187)	(131,308)	(1,215,921)
Share of results of joint ventures	169,789	—	—	—	169,789
Share of results of associates	(24,705)	—	—	(500)	(25,205)
Income tax (expenses)/credits	(3,285,959)	(525,356)	46,540	114,778	(3,649,997)
Depreciation and amortisation	(232,557)	—	(177,312)	(62,834)	(472,703)
Goodwill disposed for sale of properties	(3,269)	—	—	—	(3,269)
(Allowance for)/reversal of allowance for impairment losses of receivables	(10,250)	—	(42)	601	(9,691)
Fair value gains on investment properties — net of tax	—	1,228,631	—	—	1,228,631
Segment assets	143,397,989	18,047,632	6,085,875	845,536	168,377,032
Segment assets include:					
Interests in joint ventures	4,617,519	—	—	—	4,617,519
Interests in associates	35,153	—	—	51,060	86,213
Addition to non-current assets (other than financial instruments and deferred tax assets)	475,914	559,319	108,049	167,268	1,310,550
Segment liabilities	37,777,761	—	307,688	582,454	38,667,903

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	2015	2014
Segment assets for reportable segments	179,792,605	168,377,032
Deferred income tax assets	3,295,186	2,927,764
Available-for-sale financial assets	645,140	535,477
Total assets per balance sheet	183,732,931	171,840,273

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015	2014
Segment liabilities for reportable segments	37,135,580	38,667,903
Deferred income tax liabilities	3,935,947	3,278,908
Current income tax liabilities	11,005,384	10,089,230
Current borrowings	32,679,242	22,105,068
Non-current borrowings	49,759,398	45,553,602
Total liabilities per balance sheet	134,515,551	119,694,711

Entity-Wide information

Breakdown of revenue from all services is as follows:

Analysis of revenue by category	2015	2014
Sale of properties	40,744,245	31,650,997
Rental income	857,255	827,263
Hotel operations	1,181,150	1,108,603
Property management services and others	1,508,274	1,118,547
	44,290,924	34,705,410

5. SEGMENT INFORMATION (Continued)

Revenue from external customers by country, based on the destination of the customer:

	2015	2014
PRC	44,289,281	34,705,410
Other countries	1,643	—
Total	44,290,924	34,705,410

Revenues from the individual countries included in “other countries” are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group’s revenues for the year ended 31 December 2015 (2014: Nil)

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2015	2014
PRC	37,013,494	33,545,227
Other countries	6,894	—
Total	37,020,388	33,545,227

Non-current assets in the individual countries included in “other countries” are not material.

6. LAND USE RIGHTS

The Group’s interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015	2014
At 1 January	1,198,045	1,098,345
Transfer from properties under development	101,572	155,905
Amortisation of prepaid operating lease payments	(35,576)	(56,205)
At 31 December	1,264,041	1,198,045

Land use rights are amortised in the following categories:

	2015	2014
Selling and administrative expenses	3,835	6,970
Cost of sales	19,150	15,023
Capitalised in property, plant and equipment	12,591	34,212
	35,576	56,205

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

6. LAND USE RIGHTS (Continued)

Borrowings are secured on land use rights for the carrying amount of RMB804,637,000 (2014: RMB581,083,000).

7. PROPERTY, PLANT AND EQUIPMENT

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment Asset acquired under finance lease	Others	Machinery	Assets under construction	Total
At 1 January 2014								
Cost	1,479,352	3,779,434	498,944	395,325	306,778	351,911	1,146,488	7,958,232
Accumulated depreciation	(181,254)	(451,068)	(332,907)	(41,905)	(180,958)	(203,469)	—	(1,391,561)
Net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Year ended 31 December 2014								
Opening net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Additions	24,753	889	78,086	—	49,444	60,033	792,786	1,005,991
Transfer from properties under development	57,590	131,030	—	—	—	—	151,724	340,344
Transfer to properties under development	—	(18,653)	—	—	—	—	—	(18,653)
Disposals	(5,730)	—	(1,562)	—	(1,630)	(1,612)	—	(10,534)
Depreciation	(58,796)	(131,695)	(55,385)	(25,143)	(60,327)	(56,832)	—	(388,178)
Closing net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
At 31 December 2014								
Cost	1,549,840	3,892,700	570,291	395,325	342,161	400,877	2,090,998	9,242,192
Accumulated depreciation	(233,925)	(582,763)	(383,115)	(67,048)	(228,854)	(250,846)	—	(1,746,551)
Net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Year ended 31 December 2015								
Opening net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Additions	98,488	1,022	183,349	—	30,234	37,801	1,155,600	1,506,494
Transfer from properties under development	393,617	—	—	—	—	—	—	393,617
Transfer to properties under development	—	—	—	—	—	—	(7,296)	(7,296)
Assets under construction transfer to buildings	14,652	1,658,141	—	—	—	—	(1,672,793)	—
Disposals	(5,200)	—	(960)	—	(313)	(1,969)	—	(8,442)
Depreciation	(47,976)	(135,360)	(81,363)	(25,143)	(43,375)	(36,056)	—	(369,273)
Currency translation differences	—	—	(393)	—	(484)	—	—	(877)
Closing net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864
At 31 December 2015								
Cost	2,049,429	5,551,862	750,028	395,325	368,122	422,131	1,566,509	11,103,406
Accumulated depreciation	(279,933)	(718,122)	(462,219)	(92,191)	(268,753)	(272,324)	—	(2,093,542)
Net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense has been charged in the following categories:

	2015	2014
Selling and administrative expenses	129,056	157,876
Cost of sales	240,217	230,302
	369,273	388,178

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2015, borrowing costs capitalised in assets under construction amounted to RMB54,926,000 (2014:RMB114,823,000). Borrowing costs were capitalised at the weighted average rate of 8.09% for the year ended 31 December 2015 (2014: 7.74%)

Borrowings are secured by office buildings, hotel buildings and assets under construction with a carrying amount of RMB4,329,669,000 (2014: RMB4,309,544,000).

The Group leases an aircraft under non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the asset lies within the Group.

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(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
Year ended 31 December 2014			
Opening balance at 1 January	15,475,564	412,623	15,888,187
Additions	—	559,319	559,319
Disposals	(38,048)	—	(38,048)
Fair value gains	249,627	1,388,547	1,638,174
Closing balance at 31 December	15,687,143	2,360,489	18,047,632
Total gains for the year included in profit or loss, under “other income and other gains — net”	253,021	1,388,547	1,641,568
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	249,627	1,388,547	1,638,174
Year ended 31 December 2015			
Opening balance at 1 January	15,687,143	2,360,489	18,047,632
Additions	—	154,587	154,587
Disposals	(55,920)	—	(55,920)
Transfers	2,515,076	(2,515,076)	—
Fair value gains	1,105,652	—	1,105,652
Closing balance at 31 December	19,251,951	—	19,251,951
Total gains for the year included in profit or loss, under “other income and other gains — net”	1,093,124	—	1,093,124
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	1,105,652	—	1,105,652

(a) Amount recognised in the consolidated income statement for investment properties:

	2015	2014
Rental income	857,255	827,263
Direct operating expenses arising from investment properties that generate rental income	(95,000)	(69,379)
Direct operating expenses that did not generate rental income	(70,275)	(41,096)

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

8. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2015 and 2014. The revaluation gains or losses are included in "other income and other gains — net" in the income statement.

As at 31 December 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 and 2014 by independent and professionally qualified valuers not related to the Group who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

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(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(d) Valuation techniques (Continued)

For investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. The valuations were based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

(e) Information about fair value measurements using significant unobservable inputs (level 3)

Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	5,831,086	Term and reversionary method	Term yields	7.00%–7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.00%–7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	326–389	The higher the market rents, the higher the fair value
	Retail	12,799,546	Term and reversionary method	Market price (RMB/square metre)	39,400–59,000	The higher the market price, the higher the fair value
				Term yields	5.00%–7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	5.00%–7.25%	The higher the reversion yields, the lower the fair value
	Carpark	621,319	Direct comparison method	Market rents (RMB/square metre/month)	60–319	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	4,226–10,012	The higher the market price, the higher the fair value

8. INVESTMENT PROPERTIES (Continued)

(e) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description		Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	5,371,568	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	284–320	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	37,200–55,300	The higher the market price, the higher the fair value
	Retail	9,664,936	Term and reversionary method	Term yields	6.00%–8.00%	The higher the term yields, the lower the fair value
				Reversionary yields	6.00%–8.00%	The higher the reversion yields, the lower the fair value
	Carpark	650,639	Direct comparison method	Market rents (RMB/square metre/month)	60–295	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	4,226–10,012	The higher the market price, the higher the fair value
Investment properties under construction	Retail	2,360,489	Residual method	Market price (RMB/square metre)	27,533–38,395	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/square metre)	1,599–1,917	The higher the budgeted construction costs to incurred, the lower the fair value
				Developer's profit (%)	2.04%–4.62%	The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

(f) Investment properties pledged as security

Borrowings are secured on investment properties for the value of RMB11,686,175,000 (2014: RMB6,853,499,000).

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Construction licence	Customer contracts	Software and others	Total
At 1 January 2014					
Cost	510,002	282,000	322,000	180,038	1,294,040
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(71,221)	(396,204)
Net book amount	507,019	282,000	—	108,817	897,836
Year ended 31 December 2014					
Opening net book amount	507,019	282,000	—	108,817	897,836
Additions	—	—	—	145,923	145,923
Amortisation charge	—	—	—	(62,532)	(62,532)
Goodwill disposed for sale of properties, charged to cost of sales	(3,269)	—	—	—	(3,269)
Closing net book amount	503,750	282,000	—	192,208	977,958
At 31 December 2014					
Cost	506,733	282,000	322,000	325,961	1,436,694
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(133,753)	(458,736)
Net book amount	503,750	282,000	—	192,208	977,958
Year ended 31 December 2015					
Opening net book amount	503,750	282,000	—	192,208	977,958
Additions	—	—	—	158,568	158,568
Amortisation charge	—	—	—	(61,251)	(61,251)
Disposals	—	—	—	(40,426)	(40,426)
Closing net book amount	503,750	282,000	—	249,099	1,034,849
At 31 December 2015					
Cost	506,733	282,000	322,000	414,366	1,525,099
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(165,267)	(490,250)
Net book amount	503,750	282,000	—	249,099	1,034,849

Intangible assets are amortised in the following categories:

	2015	2014
Selling and administrative expenses	9,339	7,935
Cost of sales	51,912	54,597
	61,251	62,532

9. INTANGIBLE ASSETS (Continued)

(a) Goodwill

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash-generating units (CGUs) identified as the construction services unit within the property development segment. The recoverable amount of the CGU as at 31 December 2015 was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations in 2015 and 2014 are as follows.

	2015	2014
Gross margin	12%	12%
Growth rate for the five-year period	3%–5%	3%–8%
Terminal growth rate	3%	3%
Pre-tax discount rate	12.82%	13.66%

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(b) Construction licence

Impairment test for construction licence

The recoverable amount of construction licence based on value-in-use calculations as at 31 December 2015 was determined by estimating the value of royalty (that is, licence fee) from which the Group is exempted by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the Company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations in 2015 and 2014 are as follows.

	2015	2014
Royalty rate	1%	1%
Growth rate for the five-year period	3%–5%	3%–8%
Terminal growth rate	3%	3%
Pre-tax discount rate	13.71%	14.58%

Management determined royalty rate and weighted average growth rates based on past performance and industry factor. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

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(All amounts in RMB Yuan thousands unless otherwise stated)

10. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2015:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC:							
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of office buildings in the PRC
廣州富力恆盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	—	Property development in the PRC
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB360,000,000	86.11%	13.89%	—	Property development in the PRC
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	—	Property development in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	—	Residential architecture design in the PRC
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB300,000,000	90%	10%	—	Construction company in the PRC
廣東恆力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	—	100%	—	Construction company in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	—	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	—	Property management in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	—	Provision of interior design service in the PRC
廣州富力億盛置業發展有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	—	Property development in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	—	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB196,001,568	97.45%	2.55%	—	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB250,000,000	95%	5%	—	Property development in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	—	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	—	Property development in the PRC
北京龍熙順景房地產開發 有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	—	100%	—	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	—	100%	—	Property development in the PRC

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
富力(香港)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
北京恆富物業服務有限公司	12 December 2002	Limited liability company	RMB5,000,000	—	100%	—	Property management in the PRC
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB500,000,000	—	100%	—	Property development in the PRC
北京富力歐美國林綠化工程 有限公司	6 March 2003	Limited liability company	RMB5,000,000	—	100%	—	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	—	100%	—	Manufacturing of aluminium frame and sales of construction and decoration materials in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	—	—	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	—	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB535,475,234	—	100%	—	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	—	100%	—	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	—	100%	—	Property development in the PRC
重慶富力房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	—	Property development in the PRC
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB854,500,761	94.82%	5.18%	—	Property development in the PRC
成都富力地產開發有限公司	27 March 2007	Limited liability company	RMB600,000,000	98.33%	1.67%	—	Property development in the PRC
成都熊貓萬國商城有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	—	15%	Property development in the PRC
上海富力房地產開發有限公司	25 April 2007	Limited liability company	RMB200,000,000	95%	5%	—	Property development in the PRC
昆山新延房地產開發有限公司	16 November 2000	Limited liability company	RMB128,000,000	—	100%	—	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB380,000,000	95%	5%	—	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB124,900,000	—	100%	—	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Limited liability company	HKD15,000,000	85%	15%	—	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB500,000,000	100%	—	—	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	—	Property development in the PRC

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(All amounts in RMB Yuan thousands unless otherwise stated)

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non-controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB300,000,000	99.8%	0.2%	—	Property development in the PRC
海南協興地產發展(香港)有限公司	26 January 1994	Limited liability company	HKD15,000,000	85%	15%	—	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	—	100%	—	Construction company in the PRC
北京富源盛達房地產開發有限公司	20 January 2011	Limited liability company	RMB30,000,000	—	100%	—	Property development in the PRC
富力(哈爾濱)房地產開發有限公司	12 April 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
廣州富力足球俱樂部有限公司	7 July 2011	Limited liability company	RMB20,000,000	100%	—	—	Operation of a football club in the PRC
大同富力城房地產開發有限公司	7 November 2011	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
惠州富茂房地產開發有限公司	14 May 2010	Limited liability company	RMB500,000,000	50%	50%	—	Property development in the PRC
天津百合灣建設有限公司	30 January 2012	Limited liability company	RMB160,000,000	—	100%	—	Property development in the PRC
上海極富房地產開發有限公司	31 January 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
無錫天潤福源房地產開發有限公司	2 March 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
梅縣富力房地產開發有限公司	1 July 2013	Limited liability company	RMB550,000,000	99.09%	0.91%	—	Property development in the PRC
杭州富力房地產開發有限公司	19 December 2012	Limited liability company	USD120,000,000	—	100%	—	Property development in the PRC
無錫極富房地產開發有限公司	16 December 2013	Limited liability company	USD300,000,000	—	100%	—	Property development in the PRC
福州市台江富力置業有限公司	11 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
包頭市富力房地產開發有限公司	18 October 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
天津富潤房地產開發有限公司	23 October 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
南京富力城房地產開發有限公司	17 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
北京富力通達房地產開發有限公司	20 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
富力(瀋陽)房地產開發有限公司	15 January 2014	Limited liability company	USD90,000,000	—	100%	—	Property development in the PRC
瀋陽億隆房屋開發有限公司	12 December 2001	Limited liability company	RMB20,000,000	—	100%	—	Property development in the PRC
上海眾弘置業發展有限公司	24 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in Hong Kong:							
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	—	—	Investment holding in Hong Kong
Subsidiaries — incorporated in British Virgin Islands (BVI):							
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Maxview Investments Limited	3 April 2006	Limited liability company	USD50,000	—	100%	—	Investment holding in BVI
General Light Investments Limited	5 July 2011	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Value Success Investments Limited	1 September 2006	Limited liability company	USD10,000	—	100%	—	Investment holding in BVI
Big Will Investments Limited	2 November 2007	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Caifu Holdings Limited	2 January 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Subsidiaries — incorporated in Malaysia:							
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	—	100%	—	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	—	100%	—	Property development in Malaysia
Subsidiaries — incorporated in Australia:							
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Estate Pty Ltd.	7 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Development Holdings Pty Ltd	30 May 2014	Limited liability company	AUD1	—	100%	—	Investment holdings in Australia
Subsidiaries — incorporated in Singapore:							
R&F Development PTE LTD	17 April 2014	Limited liability company	SGD 1	—	100%	—	Marketing development in Singapore

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10. SUBSIDIARIES (Continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to receive variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The accumulated non-controlling interests as at 31 December 2015 were RMB527,895,000 (2014: RMB531,785,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

11. INTERESTS IN JOINT VENTURES

	2015	2014
At 1 January	4,617,519	4,258,931
Additions	—	220,560
Acquisition of additional equity interests in a joint venture (Note a)	(4,124)	(34,108)
Share of results	1,343,455	172,136
Elimination of unrealised profits	(2,219)	—
At 31 December	5,954,631	4,617,519

- (a) The Group acquired additional 20% equity interests in Shenzhen Yueying Investment Management Co., Ltd. ("Shenzhen Yueying") in 2015, making it a subsidiary of the Group.

11. INTERESTS IN JOINT VENTURES (Continued)

- (b) As at 31 December 2015, the Group's interests in joint ventures, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2015 was RMB1,343,455,000 (2014: RMB172,136,000). The joint ventures listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interests held at 31 December 2015	
		Direct	Indirect
廣州市富景房地產開發有限公司 (“廣州富景”)	the PRC	33.34%	—
天津津南新城房地產開發有限公司 (“津南新城”)	the PRC	—	25%
天津和安房地產開發有限公司	the PRC	—	25%
Hines Shanghai New Jiangwan Development Co., Ltd. (“Hines Shanghai”)	Cayman Islands	—	50%
上海城投悅城置業有限公司 (“上海悅城”)	the PRC	—	50%
廣州市森華房地產有限公司 (“森華房地產”)	the PRC	50%	—
貴州大西南房地產開發有限公司 (“貴州大西南”)	the PRC	60%	—
廣州市騰順投資有限公司 (“騰順投資”)	the PRC	30%	—
廣西富雅投資有限公司 (“廣西富雅”)	the PRC	50%	—
和榮有限公司 (“和榮”)	BVI	—	25%
Charm Talent Limited (“Charm Talent”)	Hong Kong	—	25%

- (c) Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.
- (d) There are no contingent liabilities relating to the Group's interest in the joint ventures.

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12. INTERESTS IN ASSOCIATES

	2015	2014
At 1 January	86,213	122,600
Share of results	(9,146)	(30,772)
Dividends received from an associate	(6,015)	(5,615)
At 31 December	71,052	86,213

- (a) As at 31 December 2015, the Group's interests in associates, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive income of these associates for the year ended 31 December 2015 was RMB18,893,000 (2014: RMB30,772,000). The associates listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interest held at 31 December 2015	
		Direct	Indirect
北京富盛利房地產經紀有限公司	the PRC	—	30%
廣州利合房地產開發有限公司 (“廣州利合”)	the PRC	20%	—
北京粵商投資股份有限公司	the PRC	—	22%
廣州盛安創富投資管理有限公司 (“盛安創富”)	the PRC	20%	—
河南建業富居投資有限公司 (“河南建業”)	the PRC	45%	—

- (b) There are no contingent liabilities relating to the Group's interest in the associates.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
At 1 January	535,477	281,400
Additional capital injection to an existing equity investment	101,032	22,500
Acquisition of additional equity interests in an unlisted private fund	(14,700)	—
Fair value gains recognised as other comprehensive income	23,331	231,577
At 31 December	645,140	535,477

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	2015	2014
Unlisted securities:		
— Unlisted equity investments	564,590	445,777
— Unlisted private funds	80,550	89,700
	645,140	535,477

Available-for-sale financial assets as at 31 December 2015 and 2014 are denominated in RMB.

The fair values of unlisted securities are based on the market approach by reference to quoted prices of similar instruments. The fair values are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying amounts of available-for-sale financial assets. None of these financial assets is either past due or impaired (2014: Nil).

14. FINANCIAL INSTRUMENTS BY CATEGORY

	2015	2014
Loans and receivables		
Trade and other receivables excluding prepayments	15,035,051	13,289,732
Cash and cash equivalents	13,970,313	13,490,425
Restricted cash	6,814,094	6,339,497
Time deposits	500,000	—
	36,319,458	33,119,654
Available-for-sale financial assets	645,140	535,477
	36,964,598	33,655,131
	2015	2014
Other financial liabilities at amortised cost		
Borrowings(excluding finance lease liabilities)	82,378,121	67,553,338
Finance lease liabilities	60,519	105,332
Trade and other payables excluding non-financial liabilities	6,958,491	6,278,137
	89,397,131	73,936,807

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

15. PROPERTIES UNDER DEVELOPMENT

	2015	2014
Amount comprises:		
Land use rights	51,869,625	57,514,275
Construction costs and capitalised expenditures	19,491,883	18,458,654
Financed costs capitalised	7,310,418	5,354,762
	78,671,926	81,327,691

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 7.05% for 2015(2014: 7.96%).

As at 31 December 2015, properties under development of RMB29,687,144,000 (2014: RMB20,461,480,000) were pledged as collateral for the Group's borrowings.

16. COMPLETED PROPERTIES HELD FOR SALE

	2015	2014
Amount comprises:		
Land use rights	6,335,094	4,620,807
Construction costs and capitalised expenditures	14,380,159	11,675,575
Finance costs capitalised	1,712,735	925,734
	22,427,988	17,222,116

As at 31 December 2015, completed properties held for sale of RMB1,472,747,000 (2014: RMB1,325,493,000) were pledged as collateral for the Group's borrowings.

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
Trade receivables — net (Note (a))	4,864,843	4,823,718
Other receivables — net (Note (b))	5,884,946	4,717,407
Prepayments (Note (d))	2,587,669	1,373,880
Due from joint ventures	1,737,889	1,709,230
Due from associates	2,547,373	2,039,377
Total	17,622,720	14,663,612
Less: non-current portion	(4,046,552)	(3,772,884)
Current portion	13,576,168	10,890,728

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

	2015	2014
Trade receivables — current portion	4,885,021	4,688,168
Less: allowance for impairment	(20,178)	(1,818)
	4,864,843	4,686,350
Trade receivables — non-current portion	—	137,368
	4,864,843	4,823,718

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2015	2014
0 to 90 days	2,879,142	2,981,140
91 to 180 days	346,186	272,507
181 to 365 days	515,746	990,974
1 year to 2 years	877,741	245,487
Over 2 years	266,206	335,428
	4,885,021	4,825,536

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Trade receivables are analysed as follows:

	2015	2014
Fully performing under credit terms	3,982,775	4,681,816
Past due but not impaired	882,068	141,902
Non-performing and impaired	20,178	1,818
Trade receivables	4,885,021	4,825,536
Less: allowance for impairment	(20,178)	(1,818)
Trade receivables — net	4,864,843	4,823,718

As at 31 December 2015, trade receivables of RMB20,178,000 (2014: RMB1,818,000) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2015	2014
1 year to 2 years	2,954	—
Over 2 years	17,224	1,818
	20,178	1,818

For past due but not impaired receivables, the Group has the right to cancel the sale contracts and take over the legal title of the underlying properties for re-sale. Therefore, the directors consider that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2015 (2014: Nil). The ageing analysis of these trade receivables is as follows:

	2015	2014
1 year to 2 years	717,242	—
Over 2 years	164,826	141,902
	882,068	141,902

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movements on the allowance for impairment of trade receivables are as follows:

	2015	2014
At 1 January	1,818	1,818
Provision for receivables impairment	18,365	—
Reversal of allowance for doubtful debts	(5)	—
At 31 December	20,178	1,818

(b) Other receivables

Other receivables are analysed as below:

	2015	2014
Fully performing under normal business	5,884,946	4,717,407
Non-performing and impaired	62,813	52,181
Other receivables	5,947,759	4,769,588
Less: allowance for impairment	(62,813)	(52,181)
Other receivables — net	5,884,946	4,717,407

Movements on the allowance for impairment of other receivables are as follows:

	2015	2014
At 1 January	52,181	42,490
Allowance for doubtful debts	10,632	9,691
At 31 December	62,813	52,181

- (c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.
- (d) Prepayments are mainly for acquisitions of land use rights and purchases of construction materials.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

- (e) The carrying amounts of the Group's trade and other receivables, including amounts due from joint ventures and associates, are denominated in the following currencies:

	2015	2014
RMB	15,026,694	13,276,264
AUD	7,652	7
MYR	592	13,318
SGD	113	143
	15,035,051	13,289,732

18. RESTRICTED CASH

	2015	2014
Guarantee deposits for construction of pre-sold properties (Note (a))	4,663,642	5,185,277
Guarantee deposits for resettlement costs (Note (b))	45,585	116,982
Guarantee deposits for construction payables (Note (c))	35,996	60,115
Guarantee deposits for borrowings (Note (d))	970,239	162,873
Guarantee deposits for mortgage loans provided to customers (Note (e))	19,583	25,816
Guarantee deposits for interest of senior notes (Note (f))	583,515	549,831
Others (Note (g))	495,534	238,603
	6,814,094	6,339,497

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

18. RESTRICTED CASH (Continued)

- (e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (f) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.
- (g) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

The restricted cash is denominated in the following currencies:

	2015	2014
RMB	6,183,727	5,789,656
USD	623,913	549,841
MYR	1,962	—
AUD	4,492	—
	6,814,094	6,339,497

The directors of the Group are of the view that the restricted cash listed above will be released within one year.

19. TIME DEPOSITS

As at 31 December 2015, the initial terms of the Group's time deposits were six months. These time deposits are denominated in RMB.

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(All amounts in RMB Yuan thousands unless otherwise stated)

20. CASH AND CASH EQUIVALENTS

	2015	2014
Cash at bank and on hand	13,682,440	13,490,425
Short-term bank deposits	287,873	—
	13,970,313	13,490,425
	2015	2014
Denominated in:		
— RMB	13,878,291	13,065,930
— USD	7,451	347,094
— MYR	26,092	41,033
— HKD	46,142	26,698
— AUD	11,918	9,393
— SGD	419	277
	13,970,313	13,490,425

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

21. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 31 December 2015 and 2014		
— domestic shares	2,207,109	551,777
— H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited. The share premium related to H shares is shown in Note 22.

As at 31 December 2015 and 2014, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

22. OTHER RESERVES

	Share premium	Available-for-sale financial assets	Statutory reserves	Translation reserves	Others	Total
Balance at 1 January 2014	3,636,625	168,484	539,144	—	—	4,344,253
Fair value gains of available-for-sale financial assets, net of tax	—	173,683	—	—	—	173,683
Currency translation differences	—	—	—	5,810	—	5,810
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	15,076	15,076
Balance at 31 December 2014	3,636,625	342,167	539,144	5,810	15,076	4,538,822
Balance at 1 January 2015	3,636,625	342,167	539,144	5,810	15,076	4,538,822
Fair value gains of available-for-sale financial assets, net of tax	—	17,498	—	—	—	17,498
Currency translation differences	—	—	—	23,969	—	23,969
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	12,862	12,862
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	(2,203)	(2,203)
Balance at 31 December 2015	3,636,625	359,665	539,144	29,779	25,735	4,590,948

- (a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts for the statutory reserve funds until the accumulated balance of such funds reaches 50% of their registered capital.
- (b) Depending on the nature, the statutory reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.
- (c) Share premium arising from the issue of H shares can be utilised for increasing paid-in capital as approved by the directors.

23. SHARES HELD FOR SHARE AWARD SCHEME

	2015	2014
Balance at 1 January	128,711	172,563
Disposals of shares	(39,764)	(43,852)
Balance at 31 December	88,947	128,711

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(All amounts in RMB Yuan thousands unless otherwise stated)

23. SHARES HELD FOR SHARE AWARD SCHEME (Continued)

On 23 August 2011, a Share Award Scheme (the “Scheme”) was approved and adopted by the Board of Directors of the Company. The Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 31 December 2015, 14,768,000 H shares (31 December 2014: 21,370,000 H shares) held by the Group were recorded as ‘Shares held for Share Award Scheme’ within a component of equity.

24. PERPETUAL CAPITAL INSTRUMENTS

	2015	2014
At 1 January	15,648,416	1,000,000
Additions	—	14,543,912
Redemptions	(7,643,912)	—
Profit attributable to holders of perpetual capital instruments	1,105,249	1,331,328
Distributions to holders of perpetual capital instruments	(1,131,884)	(1,226,824)
At 31 December	7,977,869	15,648,416

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries and secured by pledges of the shares of the subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

25. ACCRUALS AND OTHER PAYABLES

	2015	2014
Amounts due to joint ventures (Notes (a))	2,032,153	1,801,864
Advance from a joint venture	13,720	—
Construction payables (Note (b))	9,144,332	10,498,573
Other payables and accrued charges (Note (c))	7,537,707	7,141,741
Total	18,727,912	19,442,178
Less: non-current portion	—	(171,222)
Current portion	18,727,912	19,270,956

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

26. BORROWINGS

	2015	2014
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
— Secured	31,422,069	28,833,786
— Unsecured	6,177,530	5,327,900
	37,599,599	34,161,686
Corporate bonds (Note (b))		
— Unsecured	6,429,519	—
Senior notes (Note (c))		
— Secured	12,776,880	11,987,708
Other borrowings (Note (d))		
— Secured	19,010,527	16,268,944
— Unsecured	900,000	2,050,000
	19,910,527	18,318,944
Finance lease liabilities (Note (e))		
— Secured	60,519	105,332
Less: current portion of long-term borrowings	(27,017,646)	(19,020,068)
	49,759,398	45,553,602
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
— Secured	37,500	—
— Unsecured	1,284,096	377,000
	1,321,596	377,000
Other borrowings (Note (d))		
— Secured	2,740,000	—
— Unsecured	1,600,000	2,708,000
	4,340,000	2,708,000
	5,661,596	3,085,000
Current portion of long-term borrowings	27,017,646	19,020,068
Total borrowings	82,438,640	67,658,670

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(a) Bank borrowings

Interest rates on bank borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2015	2014
At 1 January	34,538,686	31,136,167
Additions	17,858,426	16,612,827
Acquisition of a subsidiary	—	1,921,400
Repayments	(13,475,917)	(15,185,655)
Amortisation of transaction costs	—	53,947
At 31 December	38,921,195	34,538,686

(ii) The maturity of bank borrowings is as follows:

	2015	2014
Within one year	12,141,186	7,343,431
Between one and two years	9,711,608	11,382,610
Between two and five years	9,736,520	11,536,448
Over five years	7,331,881	4,276,197
Total bank borrowings	38,921,195	34,538,686

(iii) The carrying amounts of bank borrowings as at 31 December 2015 and 2014 are denominated in RMB.

(iv) The effective interest rates of borrowings are as follows:

	2015	2014
RMB bank borrowings	6.52%	6.76%

(v) The carrying amounts of bank borrowings approximate their fair values.

26. BORROWINGS (Continued)

(b) Corporate bonds

The Company issued 65,000,000 bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015. The corporate bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the corporate bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the corporate bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basic points for the remaining periods. The corporate bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The fair value of corporate bonds as at 31 December 2015 amounted to RMB6,695,000,000 (31 December 2014: Nil). The fair value is determined by reference to the price quotations published on 31 December 2015 and are within level 1 of the fair value hierarchy.

The movements of corporate bonds are set out below:

	2015	2014
At 1 January	—	5,498,933
Additions	6,423,000	—
Interest charged	157,724	318,899
Interest included in other payables	(151,205)	(317,832)
Redemption	—	(5,500,000)
At 31 December	6,429,519	—

(c) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at any time before the maturity date.

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26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2014: 7.70% to 12.25%).

26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iv) 2014 Notes (Continued)

The movements of senior notes are set out below:

	2015	2014
At 1 January	11,987,708	8,521,961
Issuance of the 2014 Notes	—	5,991,541
Redemption of the 2011 Notes	—	(2,612,000)
Interest charged	1,178,648	1,198,121
Interest included in other payables	(1,131,935)	(1,151,817)
Exchange losses	742,459	39,902
At 31 December	12,776,880	11,987,708

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2015 amounted to RMB13,252,554,000 (31 December 2014: RMB11,704,025,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2015 and is within level 1 of the fair value hierarchy.

(d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 盛安創富, which is an associate of the Company and certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 6.09% to 17.24% (2014: 7.07% to 12.33%).

The movements of other borrowings are set out below:

	2015	2014
At 1 January	21,026,944	16,143,577
Additions	21,769,000	6,346,000
Repayments	(18,555,960)	(1,509,779)
Interest charged	2,097,085	1,955,715
Interest included in other payables	(2,086,542)	(1,908,569)
At 31 December	24,250,527	21,026,944

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(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(d) Other borrowings (Continued)

The maturity of other borrowings is as follows.

	2015	2014
Within one year	7,713,000	14,715,959
Between one and two years	9,661,527	3,968,000
Between two and five years	6,876,000	2,342,985
Total other borrowings	24,250,527	21,026,944

The carrying amounts of other borrowings as at 31 December 2015 and 2014 are denominated in RMB.

The carrying amounts of other borrowings approximate their fair values.

(e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under a financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB94,830,000.

	2015	2014
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	50,222	50,222
Later than 1 year and no later than 5 years	12,557	62,779
	62,779	113,001
Future finance charges on finance leases	(2,260)	(7,669)
Present value of finance lease liabilities	60,519	105,332
The present value of finance lease liabilities is as follows:		
No later than 1 year	48,176	45,677
Later than 1 year and no later than 5 years	12,343	59,655
	60,519	105,332

26. BORROWINGS (Continued)

- (f) As at 31 December 2015, bank and other borrowings totaling RMB53,210,096,000 (2014: RMB45,102,730,000) were secured by the following:

	2015	2014
Land use rights	804,637	581,083
Property, plant and equipment	4,329,669	4,309,544
Investment properties	11,686,175	6,853,499
Properties under development	29,687,144	20,461,480
Completed properties held for sale	1,472,747	1,325,493
Restricted cash	817,000	—
Equity interests in subsidiaries	3,059,000	2,859,000
	51,856,372	36,390,099

The majority of unsecured bank borrowings and other borrowings are supported by guarantees issued by the Company or certain subsidiaries of the Group. Details are as follows:

	2015	2014
Guarantors		
The Company	6,641,200	6,254,900
Subsidiaries	1,561,096	1,214,000
	8,202,296	7,468,900

27. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets:		
— To be recovered after 12 months	2,917,625	2,030,293
— To be recovered within 12 months	377,561	897,471
	3,295,186	2,927,764
Deferred tax liabilities:		
— To be recovered after 12 months	(3,415,642)	(2,687,843)
— To be recovered within 12 months	(520,305)	(591,065)
	(3,935,947)	(3,278,908)
Deferred tax liabilities — net	(640,761)	(351,144)

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(All amounts in RMB Yuan thousands unless otherwise stated)

27. DEFERRED INCOME TAX (Continued)

The gross movements on the deferred income tax account are as follows:

	2015	2014
At 1 January	(351,144)	(371,814)
Income statement (charges)/credits	(281,267)	78,564
Tax charges relating to components of other comprehensive income	(5,833)	(57,894)
Currency translation differences	(2,517)	—
At 31 December	(640,761)	(351,144)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Revaluation gains arising from business combinations	Revaluation of available- for-sale financial assets	Interest capitalisation and others	Total
At 1 January 2014	668,870	2,748,569	101,242	37,728	33,293	3,589,702
(Credited)/charged to the income statement	(77,805)	412,613	(754)	—	216,397	550,451
Charged to other comprehensive income	—	—	—	57,894	—	57,894
At 31 December 2014	591,065	3,161,182	100,488	95,622	249,690	4,198,047
(Credited)/charged to the income statement	(70,760)	250,954	(1,009)	—	205,790	384,975
Charged to other comprehensive income	—	—	—	5,833	—	5,833
At 31 December 2015	520,305	3,412,136	99,479	101,455	455,480	4,588,855

27. DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Accruals	Tax losses	Unrealised profit on intra-group transactions	Others	Total
At 1 January 2014	2,548,327	392,639	222,302	54,620	3,217,888
Credited to the income statement	161,404	323,841	140,463	3,307	629,015
At 31 December 2014	2,709,731	716,480	362,765	57,927	3,846,903
(Charged)/credited to the income statement	(237,363)	288,716	69,285	(16,930)	103,708
Currency translation differences	—	(2,517)	—	—	(2,517)
At 31 December 2015	2,472,368	1,002,679	432,050	40,997	3,948,094

As at 31 December 2015, deferred income tax assets of RMB652,908,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2014: RMB919,139,000).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

28. CURRENT INCOME TAX LIABILITIES

	2015	2014
Land appreciation tax liabilities	8,663,294	7,576,877
Income tax liabilities	2,342,090	2,512,353
	11,005,384	10,089,230

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

29. OTHER INCOME AND OTHER GAINS — NET

	2015	2014
Fair value gains on investment properties — net	1,105,652	1,638,174
Other operating income	133,713	105,206
Interest income	143,043	211,760
Dividends received on available-for-sale financial assets	4,332	—
(Losses)/gains on disposals of investment properties	(12,528)	3,394
Gains on disposals of property, plant and equipment	7,126	14,859
Gains on disposals of intangible assets	79,784	—
Others	56,970	56,911
	1,518,092	2,030,304

30. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2015	2014
Cost of completed properties sold	27,085,715	19,997,339
Business taxes and other levies	2,686,859	2,094,171
Employee benefit expenses	1,426,117	1,172,432
Depreciation	369,273	388,178
Advertising costs	143,725	269,457
Amortisation of land use rights and intangible assets	84,236	84,525
Office expenses	154,245	194,644
Operating lease payments	16,427	14,320
Allowance for doubtful debts	28,992	9,691
Auditors' remuneration	9,710	10,246
— Audit services	6,783	6,109
— Non-audit services	2,927	4,137
Others	1,384,783	1,272,988
	33,390,082	25,507,991

31. EMPLOYEE BENEFIT EXPENSES

	2015	2014
Wages and salaries	1,103,464	903,614
Retirement scheme contributions	247,094	202,663
Other allowances and benefits	75,559	66,155
	1,426,117	1,172,432

31. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director (2014: Nil) whose emoluments are reflected in the analysis shown in Note 44. The emoluments payable to the five (2014: five) individuals during the year are as follows:

	2015	2014
Wages and salaries, housing allowances, other allowances and benefits in kind	65,275	60,756

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HKD10,000,001 to HKD10,500,000	—	1
HKD10,500,001 to HKD11,000,000	—	1
HKD13,500,001 to HKD14,000,000	—	1
HKD14,500,001 to HKD15,000,000	1	—
HKD15,000,001 to HKD15,500,000	2	—
HKD16,000,001 to HKD16,500,000	1	—
HKD19,500,001 to HKD20,000,000	1	1
HKD22,000,001 to HKD22,500,000	—	1

32. FINANCE COSTS

	2015	2014
Interest expenses:		
— bank borrowings	2,580,355	2,319,584
— corporate bonds	157,724	318,899
— senior notes	1,178,648	1,198,121
— other borrowings	2,097,085	1,955,715
— finance lease liabilities	5,409	8,366
	6,019,221	5,800,685
Net foreign exchange losses	1,210,521	301,545
Less: finance costs capitalised	(5,075,747)	(4,886,309)
	2,153,995	1,215,921

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

33. INCOME TAX EXPENSES

	2015	2014
Current income tax		
— PRC enterprise income tax (Note (b))	2,062,492	2,446,005
Deferred income tax	281,267	(78,564)
	2,343,759	2,367,441
Current PRC land appreciation tax (Note (c))	2,533,470	1,282,556
Total income tax expenses (Note (d))	4,877,229	3,649,997

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2014: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the year ended 31 December 2015, except for certain companies in the Group which were taxed at 2%-3% (2014: 2%-3%) on their revenue, other businesses within the Group were primarily taxed at 25% (2014: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

33. INCOME TAX EXPENSES (Continued)

- (d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2015	2014
Profit before income tax	11,589,501	10,156,386
Less: land appreciation tax	(2,533,470)	(1,282,556)
	9,056,031	8,873,830
Calculated at tax rate of 25% (2014: 25%)	2,264,008	2,218,458
Effects of:		
— Different income tax rates of certain companies	(8,902)	(2,399)
— Share of results of joint ventures and associates	(331,141)	(36,146)
— Expenses and development costs not deductible for tax purposes	516,683	282,469
— Others	(96,889)	(94,941)
PRC enterprise income tax	2,343,759	2,367,441
Land appreciation tax	2,533,470	1,282,556
Tax charge	4,877,229	3,649,997

- (e) The tax charges relating to components of other comprehensive income are as follows:

	2015			2014		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of available-for-sale financial assets	23,331	(5,833)	17,498	231,577	(57,894)	173,683

34. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2015	2014
Profit attributable to owners of the Company	5,615,795	5,220,603
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,204,546	3,198,005
Earnings per share (RMB per share)	1.7524	1.6325

There were no dilutive potential ordinary shares as at 31 December 2015 and 2014.

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(All amounts in RMB Yuan thousands unless otherwise stated)

35. DIVIDENDS

The dividends declared in 2015 were RMB966,710,000 (2014: Nil). A dividend in respect of the year ended 31 December 2015 of RMB0.90 per share, amounting to a total dividend of RMB2,900,130,000, is to be proposed at the annual general meeting on 27 May 2016. These financial statements do not reflect this dividend payable.

	2015	2014
Interim dividend declared of RMB0.30 (2014: Nil) per ordinary share	966,710	—
Less: Dividends for shares held for Share Award Scheme	(5,280)	—
	961,430	—
Proposed final dividend of RMB0.90 (2014: Nil) per ordinary share	2,900,130	—
Less: Dividends for shares held for Share Award Scheme	(13,291)	—
	2,886,839	—
	3,848,269	—

36. CASH GENERATED FROM OPERATIONS

	2015	2014
Profit for the year	6,712,272	6,506,389
Adjustments for:		
— Capitalised finance costs in cost of sales	2,101,856	1,540,403
— Tax	4,877,229	3,649,997
— Interest income	(143,043)	(211,760)
— Finance costs	2,153,995	1,215,921
— Depreciation	369,273	388,178
— Amortisation of land use rights and intangible assets	84,236	84,525
— Gains on disposals of property, plant and equipment	(7,126)	(14,859)
— Losses/(gains) on disposals of investment properties	12,528	(3,394)
— Gains on disposals of intangible assets	(79,784)	—
— Goodwill disposed for sale of properties, charged to cost of sales	—	3,269
— Allowance for doubtful debts	28,992	9,691
— Share of results of joint ventures	(1,343,455)	(169,789)
— Share of results of associates	18,451	25,205
— Fair value gains on investment properties — net	(1,105,652)	(1,638,174)
— Dividend income from available-for-sale financial assets	(4,332)	—
— Elimination of unrealised profits	2,218	—
Operating profit before changes in working capital	13,677,658	11,385,602
Changes in working capital:		
— Properties under development and completed properties held for sale	(211,460)	(28,408,651)
— Trade receivables	(85,001)	(185,167)
— Other receivables, deposits and prepayments	(2,456,372)	409,273
— Restricted cash	250,549	(1,712,284)
— Deposits received on sale of properties	(818,057)	5,447,833
— Accruals and other payables	(830,912)	822,078
— Business tax payables	46,168	(165,834)
Net cash and cash equivalents generated from/(used in) operations	9,572,573	(12,407,150)

37. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 31 December 2015 are analysed as follows:

	2015	2014
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	23,530,047	18,438,122
Guarantees in respect of borrowings of joint ventures and associates (Notes (b))	3,453,045	4,479,899
	26,983,092	22,918,021

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

38. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
Contracted but not provided for:		
— Properties development activities	10,506,112	10,950,031
— Acquisition of land use rights	12,676,645	16,341,242
	23,182,757	27,291,273

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

38. COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	2015	2014
No later than one year	33,040	34,449
Later than one year and no later than five years	41,454	55,825
Later than five years	53,538	56,901
	128,032	147,175

39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 15 October 2015, the Company acquired an additional 10% of the issued capital of certain Australian subsidiaries for an aggregate purchase consideration of AUD70. Upon completion of the acquisition, the Group wholly owned these Australian subsidiaries and recognised a decrease in equity attributable to owners of the company of RMB2,203,000.

40. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2015	2014
No later than one year	760,029	750,879
Later than one year and no later than five years	1,333,712	1,339,177
Later than five years	693,387	826,835
	2,787,128	2,916,891

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of restaurant services

	2015	2014
Common shareholders:		
惠州市金鵝溫泉實業有限公司 ("惠州金鵝")	2,925	—

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

ii) Provision of lease of properties

	2015	2014
Common shareholders: 廣州金貝殼投資有限公司 (“廣州金貝殼”)	1,499	1,333
A joint venture: 廣州富景	70	87

iii) Drinking water system charges

	2015	2014
Common shareholders: 廣州越富環保科技有限公司	48	1,065

iv) Key management compensation

	2015	2014
Salaries and welfare benefits	42,975	34,073

v) Provision of property management services

	2015	2014
Joint ventures: 津南新城	5,099	6,301
廣州富景	3,650	—
	8,749	6,301
Common shareholders: 廣州金貝殼	222	—
	8,971	6,301

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

vi) Provision of decoration services

	2015	2014
Joint ventures:		
廣州富景	49,203	52,607
貴州大西南	24,280	6,000
	73,483	58,607

vii) Provision of construction services

	2015	2014
Joint ventures:		
廣州富景	110,569	42,955
津南新城	5,549	8,243
森華房地產	1,343	—
	117,461	51,198

viii) Purchase of installation services

	2015	2014
Controlled by an immediate family member of the major shareholder:		
廣州鉅融機電工程有限公司 (formerly named 廣州恒量機電工程有限公司)	6,429	11,109

ix) Provision of design services

	2015	2014
Joint ventures:		
津南新城	9,366	2,789
廣州富景	2,615	2,328
廣西富雅	712	2,337
貴州大西南	—	943
	12,693	8,397

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

x) Provision of supervision services

	2015	2014
A joint venture:		
森華房地產	412	—

xi) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purposes. As at 31 December 2015, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(a) Bank borrowings

	2015	2014
Joint ventures:		
Charm Talent	424,136	528,261
森華房地產	199,600	250,000
津南新城	128,558	206,085
貴州大西南	120,000	—
廣州富景	—	76,360
	872,294	1,060,706
An associate:		
廣州利合	471,900	503,980
	1,344,194	1,564,686

(b) Other borrowings

	2015	2014
A joint venture:		
上海悅城	300,000	600,000
Associates:		
廣州利合	1,310,000	1,730,000
河南建業	225,000	—
	1,535,000	1,730,000
	1,835,000	2,330,000

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties

As at 31 December 2015, the Group had the following significant balances with related parties:

	2015	2014
Due from:		
Joint ventures		
— Non-trade balances		
津南新城(Note (a))	1,173,176	1,133,176
貴州大西南(Note (b))	241,234	141,480
Hines Shanghai	170,330	155,346
騰順投資	153,146	118,205
廣西富雅	3	—
森華房地產	—	126,845
和榮	—	34,178
	1,737,889	1,709,230
Associates		
— Non-trade balances		
廣州利合(Note (b))	2,439,377	2,039,377
河南建業	107,996	—
	2,547,373	2,039,377
	4,285,262	3,748,607
Due to:		
Joint ventures		
— Non-trade balances		
上海悦城	1,119,637	934,000
廣州富景	442,062	442,062
森華房地產	239,000	—
和榮	231,454	425,802
	2,032,153	1,801,864
Advance from:		
A joint venture		
貴州大西南	13,720	—
Prepayment for acquisition of 惠州金鵝:		
Mr. Li Sze Lim and Mr. Zhang Li	434,000	—

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties (Continued)

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled according to contract terms. No provisions are held against receivables from related parties (2014:Nil).

- (a) It represents repayment of borrowings and construction costs paid by the Group on behalf of the joint venture.
- (b) It represents payments for purchases of land use rights and construction costs paid by the Group on behalf of the joint ventures and an associate.

42. EVENTS AFTER THE REPORTING PERIOD

(a) Business combination

On 5 February 2016, the Group completed an acquisition of 100% equity interests in 惠州金鵝 from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000.

(b) Borrowings

On 13 January 2016 and 26 January 2016, the Company issued 60,000,000 and 36,000,000 domestic corporate bonds with aggregate principal amounts of RMB6.0 billion and RMB3.6 billion respectively in the PRC (the "Bonds"). The Bonds will mature after five years from the date of issue.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2015	2014
ASSETS		
Non-current assets		
Land use rights	118,816	94,930
Property, plant and equipment	1,418,961	1,049,989
Investment properties	140,323	137,220
Intangible assets	53,803	41,874
Investments in subsidiaries	19,311,654	18,412,679
Interests in joint ventures	1,130,899	1,133,400
Interests in associates	138,466	138,466
Deferred income tax assets	71,231	89,347
Available-for-sale financial assets	564,590	460,477
Trade and other receivables and prepayments	3,199,382	2,534,373
	26,148,125	24,092,755
Current assets		
Properties under development	2,266,686	5,203,901
Completed properties held for sale	3,004,699	1,525,644
Trade and other receivables and prepayments	14,147,205	7,873,093
Tax prepayments	85,515	154,447
Restricted cash	919,792	898,319
Cash and cash equivalents	1,365,762	597,861
	21,789,659	16,253,265
Total assets	47,937,784	40,346,020
EQUITY		
Equity attributable to owners of the Company		
Share capital	805,592	805,592
Other reserves	Note (a) 4,559,210	4,533,012
Shares held for Share Award Scheme	(88,947)	(128,711)
Retained earnings	Note (a) 3,677,092	3,688,938
Total equity	8,952,947	8,898,831
LIABILITIES		
Non-current liabilities		
Long-term borrowings	12,709,019	5,963,300
Accruals and other payables	—	171,222
	12,709,019	6,134,522
Current liabilities		
Accruals and other payables	20,824,009	20,919,481
Deposits received on sale of properties	1,014,121	1,603,608
Current income tax liabilities	1,114,888	895,808
Current portion of long-term borrowings	3,322,800	1,893,770
	26,275,818	25,312,667
Total liabilities	38,984,837	31,447,189
Total equity and liabilities	47,937,784	40,346,020

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

The balance sheet of the Company was approved by the Board of Directors on 11 March 2016 and was signed on its behalf.

Li Sze Lim
 Director

Zhang Li
 Director

(a) *Reserve movement of the Company*

	Retained earnings	Other reserves
At 1 January 2014	2,846,977	4,344,253
Profit for the year	2,442,460	—
Fair value gains on available-for-sale financial assets, net of tax	—	173,683
Disposals of shares held for Share Award Scheme	—	15,076
Dividends for the year	(1,600,499)	—
At 31 December 2014	3,688,938	4,533,012
At 1 January 2015	3,688,938	4,533,012
Profit for the year	949,584	—
Fair value gains on available-for-sale financial assets, net of tax	—	13,336
Disposals of shares held for Share Award Scheme	—	12,862
Dividends for the year	(961,430)	—
At 31 December 2015	3,677,092	4,559,210

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(All amounts in RMB Yuan thousands unless otherwise stated)

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,600	236	3,836
Mr. Lu Jing	3,105	274	3,379
Non-executive Directors			
Ms. Zhang Lin	377	—	377
Ms. Li Helen	377	—	377
Independent non-executive Directors			
Mr. Huang Kaiwen (retired on 30 May 2015)	149	—	149
Mr. Ng Yau Wah Daniel (appointed on 30 May 2015)	175	—	175
Mr. Lai Ming Joseph	299	—	299
Mr. Zheng Ercheng	299	—	299

For the year ended 31 December 2014:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,525	236	3,761
Mr. Lu Jing	3,105	274	3,379
Non-executive Directors			
Ms. Zhang Lin	371	—	371
Ms. Li Helen	371	—	371
Independent non-executive Directors			
Mr. Huang Kaiwen	360	—	360
Mr. Dai Feng (resigned on 28 February 2014)	49	—	49
Mr. Lai Ming Joseph	295	—	295
Mr. Zheng Ercheng (appointed on 30 May 2014)	172	—	172

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(b) Supervisors' emoluments

The remuneration of every supervisor for the year ended 31 December 2015 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zhao Xianglin	66

The remuneration of every supervisor for the year ended 31 December 2014 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zheng Ercheng (resigned on 30 May 2014)	36
Mr. Zhao Xianglin (appointed on 16 September 2014)	14

Notes:

- (i) Mr. Zhang Li is also the Chief Executive of the Company.
- (ii) Other benefits mainly include welfare and transportation expenses.
- (iii) During 2015, no directors waived or has agreed to waive any emoluments (2014: Nil).
- (iv) During the year, no emolument was paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

(c) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2015.

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(f) Directors' material interests in transactions, arrangements or contracts

On 15 December 2014, the Company entered into an acquisition agreement with Mr. Li Sze Lim and Mr. Zhang Li to acquire the entire registered capital of 惠州金鵝 for a consideration of RMB530,000,000 payable on completion. In 2015, the Group made a prepayment of RMB434,000,000 to Mr. Li Sze Lim and Mr. Zhang Li.

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the shareholders of Guangzhou R&F Properties Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 151, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 March 2015

CONSOLIDATED BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2014	2013
ASSETS			
Non-current assets			
Land use rights	6	1,198,045	1,098,345
Property, plant and equipment	7	7,495,641	6,566,671
Investment properties	8	18,047,632	15,888,187
Intangible assets	9	977,958	897,836
Interests in joint ventures	11	4,617,519	4,258,931
Interests in associates	12	86,213	122,600
Deferred income tax assets	28	2,927,764	3,217,888
Available-for-sale financial assets	13	535,477	281,400
Trade and other receivables and prepayments	17	3,772,884	1,450,024
		39,659,133	33,781,882
Current assets			
Properties under development	14	81,327,691	56,111,099
Completed properties held for sale	15	17,222,116	10,992,876
Inventories	16	358,831	297,920
Trade and other receivables and prepayments	17	10,890,728	13,162,768
Tax prepayments	27	2,551,852	1,656,242
Restricted cash	18	6,339,497	6,622,173
Cash and cash equivalents	19	13,490,425	17,722,162
		132,181,140	106,565,240
Total assets		171,840,273	140,347,122
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	805,592	805,592
Other reserves	22	4,538,822	4,344,253
Shares held for Share Award Scheme	23	(128,711)	(172,563)
Retained earnings	21		
– Proposed final dividends	37	–	1,596,859
– Others		30,749,658	25,532,695
		35,965,361	32,106,836
Perpetual capital instruments	24	15,648,416	1,000,000
Non-controlling interests		531,785	375,207
Total equity		52,145,562	33,482,043
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	45,553,602	43,352,514
Accruals and other payables	25	171,222	596,257
Deferred income tax liabilities	28	3,278,908	3,589,702
		49,003,732	47,538,473
Current liabilities			
Accruals and other payables	25	19,270,956	17,781,734
Deposits received on sale of properties		19,225,725	13,777,892
Current income tax liabilities	29	10,089,230	9,671,667
Short-term borrowings	26	3,085,000	2,549,535
Current portion of long-term borrowings	26	19,020,068	15,545,778
		70,690,979	59,326,606
Total liabilities		119,694,711	106,865,079
Total equity and liabilities		171,840,273	140,347,122
Net current assets		61,490,161	47,238,634
Total assets less current liabilities		101,149,294	81,020,516

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	As at 31 December 2014	2013
ASSETS			
Non-current assets			
Land use rights	6	94,930	97,851
Property, plant and equipment	7	1,049,989	964,095
Investment properties	8	137,220	174,604
Intangible assets	9	41,874	28,901
Investments in subsidiaries	10	18,412,679	16,666,282
Interests in joint ventures	11	1,133,400	912,840
Interests in associates	12	138,466	140,335
Deferred income tax assets	28	89,347	183,918
Available-for-sale financial assets	13	460,477	228,900
Trade and other receivables and prepayments	17	2,534,373	384,188
		24,092,755	19,781,914
Current assets			
Properties under development	14	5,203,901	4,925,419
Completed properties held for sale	15	1,525,644	1,340,489
Trade and other receivables and prepayments	17	7,873,093	12,306,209
Tax prepayments	27	154,447	16,563
Restricted cash	18	898,319	1,448,339
Cash and cash equivalents	19	597,861	3,087,307
		16,253,265	23,124,326
Total assets		40,346,020	42,906,240
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	805,592	805,592
Other reserves	22	4,533,012	4,344,253
Shares held for Share Award Scheme	23	(128,711)	(172,563)
Retained earnings	21		
– Proposed final dividends	37	–	1,596,859
– Others		3,688,938	1,250,118
Total equity		8,898,831	7,824,259
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	5,963,300	6,976,270
Accruals and other payables	25	171,222	596,257
Deferred income tax liabilities	28	–	114,115
		6,134,522	7,686,642
Current liabilities			
Accruals and other payables	25	20,919,481	19,480,974
Deposits received on sale of properties		1,603,608	91,682
Current income tax liabilities	29	895,808	643,750
Current portion of long-term borrowings	26	1,893,770	7,178,933
		25,312,667	27,395,339
Total liabilities		31,447,189	35,081,981
Total equity and liabilities		40,346,020	42,906,240
Net current liabilities		9,059,402	4,271,013
Total assets less current liabilities		15,033,353	15,510,901

Li Sze Lim
Director

Zhang Li
Director

The notes on pages 65 to 151 are an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2014	2013
Revenue	5	34,705,410	36,271,284
Cost of sales	31	(22,391,431)	(22,036,298)
Gross profit		12,313,979	14,234,986
Other gains – net	30	1,925,098	2,644,420
Selling and marketing costs	31	(896,059)	(626,089)
Administrative expenses	31	(2,220,501)	(1,838,631)
Other operating income		105,206	84,533
Operating profit		11,227,723	14,499,219
Finance costs	33	(1,215,921)	(1,933,742)
Share of results of joint ventures		169,789	357,253
Share of results of associates		(25,205)	(50,901)
Profit before income tax		10,156,386	12,871,829
Income tax expenses	34	(3,649,997)	(5,226,181)
Profit for the year		6,506,389	7,645,648
Profit attributable to:			
– Holders of perpetual capital instruments		1,331,328	–
– Owners of the Company		5,220,603	7,633,860
– Non-controlling interests		(45,542)	11,788
		6,506,389	7,645,648
Basic and diluted earnings per share			
for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)	36	1.6325	2.3900

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

		Year ended 31 December	
	Note	2014	2013
Dividends	37	–	1,980,105

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2014	2013
Profit for the year		6,506,389	7,645,648
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
– Fair value gains/(losses) on available-for-sale financial assets, net of tax	22	173,683	(7,350)
– Currency translation differences		5,810	–
Other comprehensive income for the year, net of tax		179,493	(7,350)
Total comprehensive income for the year		6,685,882	7,638,298
Total comprehensive income attributable to:			
– Owners of the Company		5,400,096	7,626,510
– Holders of perpetual capital instruments		1,331,328	–
– Non-controlling interests		(45,542)	11,788
		6,685,882	7,638,298

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company							
	Share capital	Award Scheme	Other reserves	Retained earnings	Total	Perpetual capital instrument	Non-controlling interests	Total equity
Balance at 1 January 2013	805,592	(167,364)	4,351,603	21,476,124	26,465,955	–	363,919	26,829,874
Total comprehensive income for the year	–	–	(7,350)	7,633,860	7,626,510	–	11,788	7,638,298
Transactions with owners								
Disposal of a subsidiary	–	–	–	–	–	–	(500)	(500)
Dividends for the year	–	–	–	(1,980,430)	(1,980,430)	–	–	(1,980,430)
Shares purchased for Share Award Scheme	–	(5,199)	–	–	(5,199)	–	–	(5,199)
Issuance of perpetual capital instrument (Note 24)	–	–	–	–	–	1,000,000	–	1,000,000
Total transactions with owners	–	(5,199)	–	(1,980,430)	(1,985,629)	1,000,000	(500)	(986,129)
Balance at 31 December 2013	805,592	(172,563)	4,344,253	27,129,554	32,106,836	1,000,000	375,207	33,482,043
Balance at 1 January 2014	805,592	(172,563)	4,344,253	27,129,554	32,106,836	1,000,000	375,207	33,482,043
Total comprehensive income for the year	–	–	179,493	5,220,603	5,400,096	1,331,328	(45,542)	6,685,882
Transactions with owners								
Decrease in ownership interests in a subsidiary without change of control	–	–	–	–	–	–	200,277	200,277
Acquisition of subsidiaries	–	–	–	–	–	–	1,843	1,843
Dividends for the year	–	–	–	(1,600,499)	(1,600,499)	–	–	(1,600,499)
Disposals of shares held for Share Award Scheme	–	43,852	15,076	–	58,928	–	–	58,928
Issuance of perpetual capital instruments (Note 24)	–	–	–	–	–	14,543,912	–	14,543,912
Distributions to holders of perpetual capital instruments (Note 24)	–	–	–	–	–	(1,226,824)	–	(1,226,824)
Total transactions with owners	–	43,852	15,076	(1,600,499)	(1,541,571)	13,317,088	202,120	11,977,637
Balance at 31 December 2014	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2014	2013
Cash flows from operating activities			
Cash used in operations	38	(12,407,150)	(4,892,238)
Interest paid		(5,842,478)	(3,915,885)
Enterprise income tax and land appreciation tax paid		(3,815,173)	(3,054,324)
Net cash used in operating activities		(22,064,801)	(11,862,447)
Cash flows from investing activities			
Purchases of property, plant and equipment		(971,283)	(846,498)
Purchases of intangible assets		(145,917)	(42,402)
Additions of investment properties		(161,420)	(105,341)
Proceeds on disposals of property, plant and equipment	38	25,393	5,957
Proceeds on disposals of investment properties	38	41,442	983
Investments in available-for-sale financial assets		(22,500)	(44,700)
Investments in joint ventures		(220,560)	(330,311)
Cash (advances to)/repayments from joint ventures and associates		(892,437)	306,512
Dividends received on available-for-sale financial assets		–	2,595
Dividends received from an associate		5,615	7,021
Interest received		211,760	151,684
Net cash used in investing activities		(2,129,907)	(894,500)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		28,950,368	38,910,926
Repayments of borrowings		(22,886,034)	(13,459,231)
Repayments of finance lease liabilities		(50,222)	(50,222)
Proceeds on disposal of equity interest in a subsidiary		200,277	–
Decrease/(increase) in guarantee deposits for borrowings		1,994,960	(866,591)
Net proceeds from issuance of perpetual capital instruments		14,543,912	1,000,000
Distributions paid to holders of perpetual capital instruments		(1,226,824)	–
Proceeds from disposals of/(purchase of) shares for Share Award Scheme		58,928	(5,199)
Dividends paid to owners of the Company		(1,651,664)	(1,983,185)
Net cash generated from financing activities		19,933,701	23,546,498
Net (decrease)/increase in cash and cash equivalents		(4,261,007)	10,789,551
Exchange gains/(losses) on cash and cash equivalents		29,270	(93,481)
Cash and cash equivalents at beginning of year		17,722,162	7,026,092
Cash and cash equivalents at end of year	19	13,490,425	17,722,162

The notes on pages 65 to 151 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These financial statements are presented in RMB Yuan thousands (RMB’000), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

Standards/Interpretation	Subject of amendment
Amendment to HKAS 32	Offsetting financial assets and financial liabilities
Amendment to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
Amendment to HKAS 36	Impairment of assets’ on recoverable amount disclosures
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement’ – ‘Novation of derivatives
HK (IFRIC)-Int 21	Levies

The adoption of new and amended standards and interpretation has no material impact on the Group’s financial statements except for disclosure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods commencing after 1 January 2014, and have not been applied in preparing the Group's financial statements.

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendment to HKAS19	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation of information in the consolidated financial statements will be affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangement

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangement (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other gains – net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20-30 years
– Furniture, fixtures and equipment	3-5 years
– Transportation equipment	4-15 years
– Machinery	5-10 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the income statement.

Assets under construction represent property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on construction in progress. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains – net".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Construction licence

Construction licence acquired in a business combination is recognised at fair value at the acquisition date. The directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life – for example, goodwill or construction license – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other gains – net" when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 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.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary interest declared by the Group to the holders of perpetual capital instrument is treated as dividend.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.15 Land use rights

All lands in the PRC are state-owned and no individual ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at the lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.20 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties, provision of construction, hotel and property management services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company’s Employee Share Trust purchases H shares from the market, the consideration paid, including any directly attributable incremental costs is presented as Shares held for Share Award Scheme and presented as a deduction against equity attributable to the Company’s equity holders.

2.23 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(c) Retirement benefits (Continued)

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as deposits received on sale of properties under current liabilities.

(b) Construction services

Revenue arising from construction services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(c) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(d) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(e) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(f) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition (Continued)

(g) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Financial guarantee contracts (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain cash and cash equivalents and restricted cash denominated in HK dollars ("HKD"), US dollars ("USD"), Malaysia dollars ("MYR"), Australian dollars ("AUD") and Singapore dollars ("SGD"), certain borrowings denominated in USD, payables denominated in HKD, MYR, AUD and SGD, and receivables denominated in MYR and SGD. The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2014 with all other variables held constant on the Group's post-tax profit for the year:

	RMB against the foreign currency	
	weaken by 1%	strengthen by 1%
	impact on post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	(200)	200
Accruals and other payables	3,194	(3,194)
Denominated in USD		
Cash and cash equivalents	(2,603)	2,603
Restricted cash	(4,124)	4,124
Borrowings	89,908	(89,908)
Denominated in MYR		
Cash and cash equivalents	(308)	308
Trade and other receivables	(100)	100
Accruals and other payables	131	(131)
Denominated in AUD		
Cash and cash equivalents	(70)	70
Accruals and other payables	100	(100)
Denominated in SGD		
Cash and cash equivalents	(2)	2
Trade and other receivables	(1)	1
Accruals and other payables	30	(30)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2013 with all other variables held constant on the Group's post-tax profit for the year:

	RMB against the foreign currency	
	weaken by 1%	strengthen by 1%
	impact on post-tax profit for the year	
Denominated in HKD		
Cash	300	(300)
Restricted cash	171	(171)
Accruals and other payables	(4,475)	4,475
Denominated in USD		
Cash	14,990	(14,990)
Restricted cash	2,165	(2,165)
Borrowings	(51,226)	51,226
Denominated in MYR		
Cash	50	(50)

(ii) Price risk

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year:

	Interest rate	
	25 basis points higher	25 basis points lower
Impact on post-tax profit for the year		
Long-term borrowings at variable rates	(50,561)	50,561

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2014, no customer accounted for more than 5% of the Group's trade receivables (2013: one)

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantees to its joint ventures and an associate for their borrowings.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investments in land banks, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposal of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2014					
Borrowings (excluding finance lease liabilities (Note (1)))	26,581,659	20,684,070	24,312,303	10,093,814	81,671,846
Finance lease liabilities	50,222	50,222	12,557	–	113,001
Financial liabilities as included in accruals and other payables	6,106,915	171,222	–	–	6,278,137
Guarantees in respect of borrowings of joint ventures and an associate	769,838	2,073,870	1,636,191	–	4,479,899
At 31 December 2013					
Borrowings (excluding finance lease liabilities (Note (1)))	22,585,534	21,897,481	20,263,899	8,673,464	73,420,378
Finance lease liabilities	50,222	50,222	62,779	–	163,223
Financial liabilities as included in accruals and other payables	16,707,975	425,036	171,221	–	17,304,232
Guarantees in respect of borrowings of joint ventures and an associate	1,301,374	844,974	883,219	–	3,029,567
Company					
At 31 December 2014					
Borrowings (Note (1))	2,405,839	3,794,373	2,649,148	–	8,849,360
Financial liabilities as included in accruals and other payables	18,845,564	–	–	–	18,845,564
Guarantees in respect of borrowings of subsidiaries, joint ventures and an associate	4,555,688	3,684,380	2,108,782	–	10,348,850
At 31 December 2013					
Borrowings (Note (1))	8,093,909	2,377,812	5,212,555	–	15,684,276
Financial liabilities as included in accruals and other payables	19,375,155	425,036	171,221	–	19,971,412
Guarantees in respect of borrowings of subsidiaries, joint ventures and an associate	2,061,637	1,354,355	1,464,516	–	4,880,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 31 December 2014 and 2013. Floating-rate interest is estimated using the current interest rate as at 31 December 2014 and 2013 respectively.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

	2014	2013
Total borrowings (Note 26)	67,658,670	61,447,827
Less: cash and cash equivalents	(13,490,425)	(17,722,162)
restricted cash	(6,339,497)	(6,622,173)
Net debt	47,828,748	37,103,492
Total equity	52,145,562	33,482,043
Gearing ratio	91.7%	110.8%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2014 and 2013, the Group's financial assets that are measured at fair value are available-for-sale financial assets. See Note 8 for disclosures of the investment properties that are measured at fair value.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	Available-for-sale financial assets	
	2014	2013
Level 3	535,477	281,400

The valuation is performed based on the market approach by reference to quoted prices of other similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. This is categorised as level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for this unquoted equity investments.

A sensitivity analysis of the Group's major available-for-sale financial assets is disclosed in Note 4.

(a) Financial instruments in level 3

The fair value of the Group's major available-for-sale financial assets was revalued on 31 December 2014 by an independent and professionally qualified valuer. The fair value gain on the equity investments was included in "other comprehensive income". The valuation of the equity instruments was derived using the direct comparison approach by reference to comparable instruments that are substantially the same in the market.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the gross margin or growth rate had been lower than management estimates by 10% or discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of goodwill as at 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of construction licenses

Useful life of construction licenses is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the royalty rate or growth rate had been lower than management estimates by 10% or the discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment in construction licenses as at 31 December 2014.

(c) Income taxes

Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 8.

(f) Estimate of fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions about the factors used in the valuation could affect reported fair value of available-for-sale financial assets.

If the market price had been lower than management estimates by 5% with other variables held constant, the carrying amount of available-for-sale financial assets would have been lowered by RMB22,709,000.

(g) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2014, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	31,650,997	879,847	1,137,521	1,358,864	35,027,229
Inter-segment revenue	–	(52,584)	(28,918)	(240,317)	(321,819)
Revenue from external customers	31,650,997	827,263	1,108,603	1,118,547	34,705,410
Profit/(loss) for the year	5,449,418	1,576,066	(139,619)	(379,476)	6,506,389
Finance costs	(697,934)	(155,492)	(231,187)	(131,308)	(1,215,921)
Share of results of joint ventures	169,789	–	–	–	169,789
Share of results of associates	(24,705)	–	–	(500)	(25,205)
Income tax expenses	(3,285,959)	(525,356)	46,540	114,778	(3,649,997)
Depreciation and amortisation	(232,557)	–	(177,312)	(62,834)	(472,703)
Goodwill disposed for sale of properties (Note 9)	(3,269)	–	–	–	(3,269)
Allowance for impairment losses of receivables	(10,250)	–	(42)	601	(9,691)
Fair value gains on investment properties – net of tax	–	1,228,631	–	–	1,228,631
Segment assets	143,397,989	18,047,632	6,085,875	845,536	168,377,032
Segment assets include:					
Interests in joint ventures	4,617,519	–	–	–	4,617,519
Interests in associates	35,153	–	–	51,060	86,213
Addition to non-current assets (other than financial instruments and deferred tax assets)	475,914	559,319	108,049	167,268	1,310,550
Segment liabilities	37,777,761	–	307,688	582,454	38,667,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2013 and the segment assets and liabilities at 31 December 2013 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	33,651,248	779,786	957,051	1,145,516	36,533,601
Inter-segment revenue	–	(52,541)	(56,457)	(153,319)	(262,317)
Revenue from external customers	33,651,248	727,245	900,594	992,197	36,271,284
Profit/(loss) for the year	6,120,890	2,111,145	(248,725)	(337,662)	7,645,648
Finance costs	(1,362,517)	(175,613)	(264,499)	(131,113)	(1,933,742)
Share of results of joint ventures	357,253	–	–	–	357,253
Share of results of associates	(51,171)	–	–	270	(50,901)
Income tax expenses	(4,674,980)	(703,715)	82,909	69,605	(5,226,181)
Depreciation and amortisation	(147,568)	–	(151,849)	(32,809)	(332,226)
Goodwill disposed for sale of properties (Note 9)	(9,163)	–	–	–	(9,163)
Allowance for impairment losses of receivables	(8,656)	–	(158)	(664)	(9,478)
Fair value gains on investment properties – net of tax	–	1,827,152	–	–	1,827,152
Segment assets	115,052,178	15,888,187	5,273,055	634,414	136,847,834
Segment assets include:					
Interests in joint ventures	4,258,931	–	–	–	4,258,931
Interests in associates	71,040	–	–	51,560	122,600
Addition to non-current assets (other than financial instruments and deferred tax assets)	410,406	105,341	372,481	117,030	1,005,258
Segment liabilities	31,490,566	–	121,936	543,381	32,155,883

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

Breakdown of revenue from all services is analysed as follows:

	2014	2013
Sale of properties	31,650,997	33,651,248
Rental income	827,263	727,245
Hotel operations	1,108,603	900,594
Property management services and others	1,118,547	992,197
	34,705,410	36,271,284

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. SEGMENT INFORMATION (Continued)

The Group's deferred tax and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2014	2013
Segment assets for reportable segments	168,377,032	136,847,834
Deferred income tax assets	2,927,764	3,217,888
Available-for-sale financial assets	535,477	281,400
Total assets per balance sheet	171,840,273	140,347,122

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2014	2013
Segment liabilities for reportable segments	38,667,903	32,155,883
Deferred income tax liabilities	3,278,908	3,589,702
Current income tax liabilities	10,089,230	9,671,667
Current borrowings	22,105,068	18,095,313
Non-current borrowings	45,553,602	43,352,514
Total liabilities per balance sheet	119,694,711	106,865,079

6. LAND USE RIGHTS

The Group's and the Company's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2014	2013
Outside Hong Kong in the PRC, held on leases of: Between 10 and 50 years	1,198,045	1,098,345

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6. LAND USE RIGHTS (Continued)

	Company	
	2014	2013
Outside Hong Kong in the PRC, held on leases of: Between 10 and 50 years	94,930	97,851

	Group		Company	
	2014	2013	2014	2013
Opening balance at 1 January	1,098,345	850,398	97,851	94,213
Transfer from properties under development	155,905	317,276	–	6,758
Transfer to properties under development	–	(42,381)	–	–
Amortisation of prepaid operating lease payments	(56,205)	(26,948)	(2,921)	(3,120)
Closing balance at 31 December	1,198,045	1,098,345	94,930	97,851

Land use rights are amortised in the following categories:

	Group	
	2014	2013
Selling and administrative expenses	6,970	4,447
Cost of sales	15,023	13,738
Capitalised in property, plant and equipment	34,212	8,763
	56,205	26,948

Land use rights pledged as collateral are as follows:

	Group		Company	
	2014	2013	2014	2013
Land use rights (Note 26)	581,083	582,136	72,399	74,657

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(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Group							
	Transportation equipment							Total
	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Assets acquired under finance lease	Others	Machinery	Assets under construction	
At 1 January 2013								
Cost	1,412,440	3,075,956	431,325	395,325	257,370	334,529	698,875	6,605,820
Accumulated depreciation	(136,047)	(352,141)	(282,023)	(16,762)	(153,440)	(176,207)	–	(1,116,620)
Net book amount	1,276,393	2,723,815	149,302	378,563	103,930	158,322	698,875	5,489,200
Year ended 31 December 2013								
Opening net book amount	1,276,393	2,723,815	149,302	378,563	103,930	158,322	698,875	5,489,200
Additions	22,666	–	68,997	–	51,786	17,711	696,163	857,323
Transfers	11,997	703,204	–	–	–	–	(715,201)	–
Transfer from properties under development	53,085	274	–	–	–	–	466,651	520,010
Transfer to properties under development	(16,251)	–	–	–	–	–	–	(16,251)
Disposals (Note 38)	(1,262)	–	(260)	–	(1,332)	(108)	–	(2,962)
Depreciation (Notes 31 and 38)	(48,530)	(98,927)	(52,002)	(25,143)	(28,564)	(27,483)	–	(280,649)
Closing net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
At 31 December 2013								
Cost	1,479,352	3,779,434	498,944	395,325	306,778	351,911	1,146,488	7,958,232
Accumulated depreciation	(181,254)	(451,068)	(332,907)	(41,905)	(180,958)	(203,469)	–	(1,391,561)
Net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Year ended 31 December 2014								
Opening net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Additions	24,753	889	78,086	–	49,444	60,033	792,786	1,005,991
Transfers from properties under development	57,590	131,030	–	–	–	–	151,724	340,344
Transfer to properties under development	–	(18,653)	–	–	–	–	–	(18,653)
Disposals (Note 38)	(5,730)	–	(1,562)	–	(1,630)	(1,612)	–	(10,534)
Depreciation (Notes 31 and 38)	(58,796)	(131,695)	(55,385)	(25,143)	(60,327)	(56,832)	–	(388,178)
Closing net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
At 31 December 2014								
Cost	1,549,840	3,892,700	570,291	395,325	342,161	400,877	2,090,998	9,242,192
Accumulated depreciation	(233,925)	(582,763)	(383,115)	(67,048)	(228,854)	(250,846)	–	(1,746,551)
Net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Borrowings are secured by office buildings, hotel buildings and assets under construction with a carrying amount of RMB4,309,544,000 (2013: RMB4,070,513,000) for the Group (Note 26).

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2014, borrowing costs capitalised in assets under construction amounted to RMB114,823,000 (2013: RMB20,841,000). The capitalisation rate of borrowings for assets under construction was 7.74% for the year ended 31 December 2014 (2013: 6.99%)

	Company				
	Office buildings	Furniture, fixtures and equipment	Transportation equipment	Assets under construction	Total
At 1 January 2013					
Cost	861,417	17,379	60,805	92,965	1,032,566
Accumulated depreciation	(60,928)	(11,509)	(38,775)	–	(111,212)
Net book amount	800,489	5,870	22,030	92,965	921,354
Year ended 31 December 2013					
Opening net book amount	800,489	5,870	22,030	92,965	921,354
Additions	11,263	7,131	8,432	51,982	78,808
Disposals	(1,256)	–	–	–	(1,256)
Depreciation	(27,518)	(2,231)	(5,062)	–	(34,811)
Closing net book amount	782,978	10,770	25,400	144,947	964,095
At 31 December 2013					
Cost	871,110	24,510	69,237	144,947	1,109,804
Accumulated depreciation	(88,132)	(13,740)	(43,837)	–	(145,709)
Net book amount	782,978	10,770	25,400	144,947	964,095
Year ended 31 December 2014					
Opening net book amount	782,978	10,770	25,400	144,947	964,095
Additions	–	5,562	3,688	121,744	130,994
Disposals	(2,294)	(61)	(122)	–	(2,477)
Depreciation	(27,151)	(5,507)	(9,965)	–	(42,623)
Closing net book amount	753,533	10,764	19,001	266,691	1,049,989
At 31 December 2014					
Cost	868,246	28,852	68,422	266,691	1,232,211
Accumulated depreciation	(114,713)	(18,088)	(49,421)	–	(182,222)
Net book amount	753,533	10,764	19,001	266,691	1,049,989

Borrowings are secured by office buildings and assets under construction with a carrying amount of RMB1,305,901,000 (2013: RMB868,751,000) for the Company (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation was expensed in the following categories in the consolidated income statement:

	Group	
	2014	2013
Selling and administrative expenses	157,876	108,585
Cost of sales	230,302	172,064
	388,178	280,649

8. INVESTMENT PROPERTIES

	Group		
	Completed investment properties	Investment properties under construction	Total
Year ended 31 December 2013			
Opening balance at 1 January 2013	13,347,220	–	13,347,220
Additions	–	105,341	105,341
Disposals (Note 38)	(577)	–	(577)
Fair value gains – net (including in other gains – net) (Notes 30 and 38)	2,128,921	307,282	2,436,203
Closing balance at 31 December 2013	15,475,564	412,623	15,888,187
Total gains for the year included in profit or loss under “other gains – net”	2,129,327	307,282	2,436,609
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	2,128,921	307,282	2,436,203
Year ended 31 December 2014			
Opening balance at 1 January 2014	15,475,564	412,623	15,888,187
Additions	–	559,319	559,319
Disposals (Note 38)	(38,048)	–	(38,048)
Fair value gains – net (including in other gains – net) (Notes 30 and 38)	249,627	1,388,547	1,638,174
Closing balance at 31 December 2014	15,687,143	2,360,489	18,047,632
Total gains for the year included in profit or loss under “other gains – net”	253,021	1,388,547	1,641,568
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	249,627	1,388,547	1,638,174

8. INVESTMENT PROPERTIES (Continued)

	Company
	Completed investment properties
Year ended 31 December 2013	
Opening balance at 1 January 2013	169,021
Fair value gains- net (including in other gains – net)	5,583
Closing balance at 31 December 2013	174,604
Year ended 31 December 2014	
Opening balance at 1 January 2014	174,604
Disposals (Note 38)	(38,048)
Fair value gains – net (including in other gains – net)	664
Closing balance at 31 December 2014	137,220

(a) The investment properties are located in the PRC and are held on leases of between 10 and 50 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	Group	
	2014	2013
Rental income	827,263	727,245
Direct operating expenses arising from investment properties that generate rental income	(69,379)	(64,336)
Direct operating expenses that did not generate rental income	(41,096)	(35,017)

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

(c) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2014 and 2013. The fair value gains or losses are included in "other gains – net" (Note 30).

As at 31 December 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(d) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2014 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(e) Valuation techniques

For completed office and retail buildings, valuations are based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

For investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. Valuations are based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(f) Information about fair value measurements using significant unobservable inputs (level 3)

					Range of	
		Fair value at 31			unobservable	Relationship of unobservable
	Description	December 2014	Valuation techniques	Unobservable inputs	inputs	inputs to fair value
Completed investment properties	Office	5,371,568	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	284-320	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	37,200-55,300	The higher the market price, the higher the fair value
	Retail	9,664,936	Term and reversionary method	Term yields	6%-7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	6%-7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	60-295	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	4,226-10,012	The higher the market price, the higher the fair value
Investment properties under construction	Retail	2,360,489	Residual method	Market price (RMB/square metre)	27,533-38,395	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/square metre)	1,599-1,917	The higher the budgeted construction costs to incurred, the lower the fair value
				Developer's profit (%)	2.04%-4.62%	The higher the developer's profit, the lower the fair value

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(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(f) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description	Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range of unobservable inputs		Relationship of unobservable inputs to fair value
Completed investment properties	Office	Term and reversionary method	Term yields	7.25%-7.5%		The higher the term yields, the lower the fair value
				7.25%-7.5%		The higher the reversion yields, the lower the fair value
			Market rents (RMB/square metre/ month)	256-289		The higher the market rents, the higher the fair value
			Market price (RMB/square metre)	36,400-54,100		The higher the market price, the higher the fair value
	Retail	Term and reversionary method	Term yields	6%-7.25%		The higher the term yields, the lower the fair value
				6%-7.25%		The higher the reversion yields, the lower the fair value
			Market rents (RMB/square metre/ month)	69-280		The higher the market rents, the higher the fair value
			Market price (RMB/square metre)	4,226-10,012		The higher the market price, the higher the fair value
Investment properties under construction	Retail	Residual method	Market price (RMB/square metre)	22,750-35,000		The higher the market price, the higher the fair value
			Budgeted construction costs to be incurred (RMB/square metre)	2,232		The higher the budgeted construction costs to incurred, the lower the fair value
			Developer's profit (%)	5.23%		The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For an investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs.

8. INVESTMENT PROPERTIES (Continued)

(g) Investment properties pledged as security

Investment properties pledged as collateral are as follows:

	Group		Company	
	2014	2013	2014	2013
Investment properties (Note 26)	6,853,499	10,921,305	826,733	118,625

(h) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable on a monthly basis. Minimum rental payments receivable on leases of investment properties are shown in Note 42.

The period of leases over which the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Group				Company	
	Goodwill (a)	Construction licence (b)	Customer contracts	Software and others	Total	Software and others
At 1 January 2013						
Cost	519,165	282,000	322,000	137,444	1,260,609	31,328
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(37,829)	(362,812)	(8,396)
Net book amount	516,182	282,000	–	99,615	897,797	22,932
Year ended 31 December 2013						
Opening net book amount	516,182	282,000	–	99,615	897,797	22,932
Additions	–	–	–	42,594	42,594	9,573
Amortisation charge	–	–	–	(33,392)	(33,392)	(3,604)
Goodwill disposed for sale of properties, charged to cost of sales (Note 38)	(9,163)	–	–	–	(9,163)	–
Closing net book amount	507,019	282,000	–	108,817	897,836	28,901
At 31 December 2013						
Cost	510,002	282,000	322,000	180,038	1,294,040	40,902
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(71,221)	(396,204)	(12,001)
Net book amount	507,019	282,000	–	108,817	897,836	28,901
Year ended 31 December 2014						
Opening net book amount	507,019	282,000	–	108,817	897,836	28,901
Additions	–	–	–	145,923	145,923	17,808
Amortisation charge	–	–	–	(62,532)	(62,532)	(4,835)
Goodwill disposed for sale of properties, charged to cost of sales (Note 38)	(3,269)	–	–	–	(3,269)	–
Closing net book amount	503,750	282,000	–	192,208	977,958	41,874
At 31 December 2014						
Cost	506,733	282,000	322,000	325,961	1,436,694	58,710
Accumulated amortisation and impairment	(2,983)	–	(322,000)	(133,753)	(458,736)	(16,836)
Net book amount	503,750	282,000	–	192,208	977,958	41,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS (Continued)

Intangible assets are amortised in the following categories:

	Group	
	2014	2013
Selling and administrative expenses	7,935	5,796
Cost of sales	54,597	27,596
	62,532	33,392

(a) Goodwill

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash-generating units (CGUs) identified as the construction services unit within the property development segment. The recoverable amount of the CGU as at 31 December 2014, which is determined based on value-in-use calculations, amounted to RMB5,494,000,000 approximately. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2014	2013
Gross margin	12%	9%-11%
Growth rate for the five-year period	3%-8%	3%-10%
Terminal growth rate	3%	3%
Pre-tax discount rate	13.66%	15.85%

Management determined budgeted gross margin based on past performance and its expectations of the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(b) Construction licence

Impairment test for construction licence

The recoverable amount of construction licence based on value-in-use calculations was approximately RMB396,000,000 as at 31 December 2014, which is determined by estimating the value of royalty (that is, licence fee) from which the Group is exempted by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the Company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations:

	2014	2013
Royalty rate	1%	1%
Growth rate for the five-year period	3%-8%	3%-10%
Terminal growth rate	3%	3%
Pre-tax discount rate	14.58%	16.18%

Management determined royalty rate based on past performance and industry factor. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

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10. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
Investments, at cost:		
Unlisted shares	18,412,679	16,666,282

The following is a list of principal subsidiaries at 31 December 2014:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests	Principal activities and place of operations
				Direct	Indirect	held by	
						non-controlling interests	
Subsidiaries – incorporated in the PRC:							
廣州市金鼎房地產開發有限公司	31 August 1994	Limited liability company	RMB8,000,000	90%	10%	–	Property development in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign joint venture with limited liability	USD21,000,000	85%	–	15%	Property development in the PRC
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	–	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	–	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	–	Development and investment of hotel buildings in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	–	Property development in the PRC
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB360,000,000	86.11%	13.89%	–	Property development in the PRC
廣州富力超盛置業發展有限公司	8 December 2005	Limited liability company	RMB600,000,000	100%	–	–	Property development in the PRC
廣州永富房地產開發有限公司	19 December 2006	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	–	Property development in the PRC
廣州市華維裝飾材料有限公司	2 April 2004	Limited liability company	RMB500,000	100%	–	–	Provision of interior design service in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	–	Residential architecture design in the PRC
廣州天富建設工程監理有限公司	29 December 2001	Limited liability company	RMB3,010,000	–	100%	–	Construction supervision and consultancy in the PRC
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB300,000,000	90%	10%	–	Construction company in the PRC

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Equity interests			
				Attributable equity interests		held by non-controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries – incorporated in the PRC (Continued):							
廣東恆力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	–	100%	–	Construction company in the PRC
廣州天盈園林工程有限公司	28 August 2009	Limited liability company	RMB5,000,000	–	100%	–	Gardening and virescence construction in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	–	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	–	Property management in the PRC
廣州富力國際空港綜合物流園 有限公司	11 June 2006	Limited liability company	RMB10,000,000	95%	5%	–	Storage and logistics in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	–	Provision of interior design service in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB196,001,568	95%	5%	–	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB250,000,000	95%	5%	–	Property development in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	–	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	–	Property development in the PRC
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	–	Property development in the PRC
北京鴻高置業發展有限公司	8 June 1999	Limited liability company	RMB300,000,000	–	100%	–	Property development in the PRC
北京龍熙順景房地產開發 有限責任公司	20 August 2001	Limited liability company	RMB21,750,000	–	100%	–	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	–	100%	–	Property development in the PRC
富力(香港)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	–	100%	–	Property development in the PRC
北京恆富物業服務有限公司	12 December 2002	Limited liability company	RMB5,000,000	–	100%	–	Property management in the PRC
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB500,000,000	–	100%	–	Property development in the PRC
北京富力歐美國林綠化有限公司	6 March 2003	Limited liability company	RMB5,000,000	–	100%	–	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	–	100%	–	Manufacture of aluminium frame and sales of construction and decoration materials in the PRC

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Equity interests			
				Attributable equity interests		held by non-controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries – incorporated in the PRC (Continued):							
北京富力會康體俱樂部有限公司	15 October 2004	Limited liability company	RMB3,000,000	–	100%	–	Operation of a recreational club in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	–	–	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	–	Property development in the PRC
天津鴻富房地產開發有限公司	30 June 2006	Limited liability company	RMB300,000,000	–	100%	–	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB535,475,234	–	100%	–	Property development in the PRC
天津富力濱海投資有限公司	25 December 2007	Limited liability company	RMB400,000,000	–	100%	–	Property development in the PRC
天津華信物業管理有限公司	23 April 2004	Limited liability company	RMB5,000,000	–	100%	–	Property management in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	–	100%	–	Property development in the PRC
西安濱湖花園房地產開發有限公司	8 August 2005	Limited liability company	RMB55,000,000	–	100%	–	Property development in the PRC
西安富力灣房地產開發有限公司	14 September 2010	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	–	100%	–	Property development in the PRC
重慶永富房地產開發有限公司	18 December 2007	Limited liability company	RMB10,000,000	–	100%	–	Property development in the PRC
重慶富力房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	–	Property development in the PRC
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB854,500,761	93.94%	6.06%	–	Property development in the PRC
成都富力地產開發有限公司	27 March 2007	Limited liability company	RMB600,000,000	98.33%	1.67%	–	Property development in the PRC
成都熊貓萬國商城有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	–	15%	Property development in the PRC
成都富力熊貓城項目開發有限公司	15 August 2006	Limited liability company	RMB30,000,000	65%	–	35%	Property development in the PRC
上海富力房地產開發有限公司	25 April 2007	Limited liability company	RMB200,000,000	95%	5%	–	Property development in the PRC
上海浦商房地產開發有限公司	18 July 2006	Limited liability company	RMB320,000,000	–	100%	–	Property development in the PRC
昆山新廷房地產開發有限公司	16 November 2000	Limited liability company	RMB128,000,000	–	100%	–	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB380,000,000	95%	5%	–	Property development in the PRC
海南三林發展有限公司	17 January 1995	Limited liability company	RMB25,210,000	–	100%	–	Property development in the PRC

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Equity interests			
				Attributable equity interests		held by non-controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries – incorporated in the PRC (Continued):							
海南朝陽房地產發展有限公司	4 April 1995	Limited liability company	RMB111,060,000	–	100%	–	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB124,900,000	–	100%	–	Property development in the PRC
海南紅樹林度假村有限公司	24 March 1995	Limited liability company	RMB11,650,000	–	100%	–	Property development in the PRC
海南明強房地產發展有限公司	26 April 1995	Limited liability company	RMB11,700,000	–	100%	–	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Limited liability company	HKD15,000,000	100%	–	–	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB500,000,000	100%	–	–	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB300,000,000	99.8%	0.2%	–	Property development in the PRC
海南協興地產發展(香港)有限公司	26 January 1994	Limited liability company	HKD15,000,000	100%	–	–	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	–	100%	–	Construction company in the PRC
北京富源盛達房地產開發有限公司	20 January 2011	Limited liability company	RMB30,000,000	–	100%	–	Property development in the PRC
富力(哈爾濱)房地產開發有限公司	12 April 2011	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
文昌富力房地產開發有限公司	25 August 2011	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
廣州富力足球俱樂部有限公司	7 July 2011	Limited liability company	RMB20,000,000	100%	–	–	Operation of a football club in the PRC
大同富力城房地產開發有限公司	7 November 2011	Limited liability company	RMB20,000,000	–	100%	–	Property development in the PRC
廣州聖景房地產開發有限公司	27 August 2007	Limited liability company	USD80,000,000	25%	75%	–	Property development in the PRC
海南富力海洋歡樂世界開發有限公司	20 June 2012	Limited liability company	RMB2,000,000,000	80%	20%	–	Property development in the PRC
臨高富力房地產開發有限公司	20 November 2012	Limited liability company	RMB100,000,000	90%	10%	–	Property development in the PRC
梅縣富力足球學校	6 December 2012	Limited liability company	RMB20,000,000	100%	–	–	Operation of a football school in the PRC
惠州富茂房地產開發有限公司 （“惠州富茂”）	14 May 2010	Limited liability company	RMB500,000,000	50%	50%	–	Property development in the PRC

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by	
				Direct	Indirect	non-controlling interests	Principal activities and place of operations
Subsidiaries – incorporated in the PRC (Continued):							
天津百台灣建設有限公司	30 January 2012	Limited liability company	RMB160,000,000	–	100%	–	Property development in the PRC
天津團泊綠島建設有限公司	15 June 2012	Limited liability company	RMB80,000,000	–	100%	–	Property development in the PRC
上海極富房地產開發有限公司	31 January 2013	Limited liability company	RMB200,000,000	–	100%	–	Property development in the PRC
杭州極富房地產開發有限公司	27 February 2013	Limited liability company	USD40,000,000	–	100%	–	Property development in the PRC
無錫天潤福源房地產開發有限公司	2 March 2011	Limited liability company	RMB20,000,000	–	100%	–	Property development in the PRC
哈爾濱富力城房地產開發有限公司	15 May 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
梅縣富力房地產開發有限公司	1 July 2013	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
湖南隆平九華房地產開發有限公司	12 May 2008	Limited liability company	RMB100,000,000	95%	5%	–	Property development in the PRC
杭州富力房地產開發有限公司	19 December 2012	Limited liability company	USD95,000,000	–	100%	–	Property development in the PRC
佛山富力房地產開發有限公司	13 November 2013	Limited liability company	RMB100,000,000	100%	–	–	Property development in the PRC
無錫極富房地產開發有限公司	16 December 2013	Limited liability company	USD150,000,000	–	100%	–	Property development in the PRC
廣州天禧房地產開發有限公司 （“廣州天禧”）	22 August 2013	Limited liability company	RMB10,000,000	75%	–	25%	Property development in the PRC
杭州聯富房地產開發有限公司	24 December 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
杭州品富房地產開發有限公司	4 September 2013	Limited liability company	USD64,500,000	–	100%	–	Property development in the PRC
閩侯富力房地產開發有限公司	11 September 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
福州市台江富力置業有限公司	11 September 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
包頭市富力房地產開發有限公司	18 October 2013	Limited liability company	RMB200,000,000	–	100%	–	Property development in the PRC
天津富潤房地產開發有限公司	23 October 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
南京富力城房地產開發有限公司	17 November 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
北京金廈園房地產開發有限公司	20 November 2013	Limited liability company	RMB60,000,000	–	100%	–	Property development in the PRC
北京富力通達房地產開發有限公司	20 November 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
珠海富力房地產開發有限公司	20 November 2013	Limited liability company	RMB420,000,000	100%	–	–	Property development in the PRC
富力（瀾陽）房地產開發有限公司	15 January 2014	Limited liability company	USD90,000,000	–	100%	–	Property development in the PRC

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Equity interests			Principal activities and place of operations
				Attributable equity interests		held by non-controlling interests	
				Direct	Indirect		
Subsidiaries – incorporated in the PRC (Continued):							
瀋陽億隆房屋開發有限公司	12 December 2001	Limited liability company	RMB20,000,000	–	100%	–	Property development in the PRC
杭州瑞富房地產開發有限公司	03 January 2014	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
重慶富力嘉盛房地產開發有限公司	28 January 2014	Limited liability company	RMB794,540,000	–	100%	–	Property development in the PRC
上海眾弘置業發展有限公司	24 September 2013	Limited liability company	RMB100,000,000	–	100%	–	Property development in the PRC
廣州市東富有經濟發展有限公司	09 August 2001	Limited liability company	RMB10,000,000	100%	–	–	Property development in the PRC
天津市錦堂大酒店有限公司	26 July 2013	Limited liability company	RMB30,000	–	100%	–	Property development in the PRC
山西永紅盛置業有限公司	14 September 2012	Limited liability company	RMB10,000,000	–	90%	10%	Property development in the PRC
Subsidiaries – incorporated in Hong Kong:							
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	–	–	Investment holding in Hong Kong
Subsidiaries – incorporated in British Virgin Islands (BVI):							
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	–	100%	–	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	–	100%	–	Investment holding in BVI
Maxview Investments Limited	3 April 2006	Limited liability company	USD50,000	–	100%	–	Investment holding in BVI
General Light Investments Limited	5 July 2011	Limited liability company	USD1	–	100%	–	Investment holding in BVI
Value Success Limited	1 September 2006	Limited liability company	USD10,000	–	100%	–	Investment holding in BVI
Big Will Investments Limited	02 November 2007	Limited liability company	USD50,000	–	100%	–	Investment holding in BVI
Caifu Holdings Limited	02 January 2013	Limited liability company	USD50,000	–	100%	–	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	–	100%	–	Investment holding in BVI
Subsidiaries – incorporated in Malaysia:							
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	–	100%	–	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	–	100%	–	Property development in Malaysia

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10. INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Equity interests			Principal activities and place of operations
				Attributable equity interests		held by non-controlling interests	
				Direct	Indirect		
Subsidiaries – incorporated in Australia:							
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	–	90%	10%	Property development in Australia
R&F Estate Pty Ltd.	07 July 2014	Limited liability company	AUD100	–	90%	10%	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	–	90%	10%	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	–	90%	10%	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	–	90%	10%	Property development in Australia
R&F Development Holdings	30 May 2014	Limited liability company	AUD1	–	100%	–	Investment holdings in Australia
Subsidiaries – incorporated in Singapore:							
R&F Development PTE LTD	17 April 2014	Limited liability company	SGD 1	–	100%	–	Marketing development in Singapore

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The accumulated non-controlling interests as at 31 December 2014 were RMB531,785,000 (2013: RMB375,207,000). The non-controlling interests in respect of each subsidiary are not material to the Group.

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11. INTERESTS IN JOINT VENTURES

	Group	
	2014	2013
At 1 January	4,258,931	3,795,093
Additions	220,560	330,311
Acquisition of remaining interests in a joint venture (Note a)	(34,108)	(216,795)
Share of results	172,136	357,253
Elimination of unrealised profits	–	(6,931)
At 31 December	4,617,519	4,258,931

	Company	
	2014	2013
At 1 January	912,840	586,540
Additions	220,560	326,300
At 31 December	1,133,400	912,840

- (a) The Group acquired the remaining interests in Value Success Investments Limited (“Value Success”) in 2014, making it a wholly-owned subsidiary of the Group.
- (b) As at 31 December 2014, the Group’s interests in joint ventures, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group’s share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2014 was RMB172,136,000 (2013: RMB357,253,000). The joint ventures listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interests held at 31 December 2014	
		Direct	Indirect
廣州市富景房地產開發有限公司 (“廣州富景”)	the PRC	33.34%	–
天津津南新城房地產開發有限公司 (“津南新城”)	the PRC	–	25%
天津和安房地產開發有限公司	the PRC	–	25%
Hines Shanghai New Jiangwan Development Co., Ltd. (“Hines Shanghai”)	Cayman Islands	–	50%
上海城投悅城置業有限公司 (“上海悅城”)	the PRC	–	50%
廣州市森華房地產有限公司 (“森華房地產”)	the PRC	50%	–
貴州大西南房地產開發有限公司 (“貴州大西南”)	the PRC	60%	–
廣州市騰順投資有限公司 (“騰順投資”)	the PRC	45%	–
廣西富雅投資有限公司 (“廣西富雅”)	the PRC	50%	–
深圳市悅盈投資管理有限公司	the PRC	50%	–
和榮有限公司 (“和榮”)	BVI	–	25%
Charm Talent Limited (“Charm Talent”)	Hong Kong	–	25%

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11. INTERESTS IN JOINT VENTURES (Continued)

- (c) Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.

12. INTERESTS IN ASSOCIATES

	Group	
	2014	2013
At 1 January	122,600	179,843
Share of results	(30,772)	(50,222)
Dividends received from an associate	(5,615)	(7,021)
At 31 December	86,213	122,600

- (a) As at 31 December 2014, the Group's interests in associates, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2014 was RMB30,772,000 (2013: RMB50,222,000). The associates listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interest held at 31 December 2014	
		Direct	Indirect
北京富盛利房地產經紀有限公司	the PRC	–	30%
廣州利合房地產開發有限公司(“廣州利合”)	the PRC	20%	–
北京粵商投資股份有限公司	the PRC	–	22%
廣州盛安創富投資管理有限公司(“盛安創富”)	the PRC	20%	–

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	2014	2013
At 1 January	281,400	224,000	228,900	224,000
Additions	22,500	67,200	–	14,700
Fair value gains/(losses) recognised as other comprehensive income	231,577	(9,800)	231,577	(9,800)
At 31 December	535,477	281,400	460,477	228,900

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13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	Group		Company	
	2014	2013	2014	2013
Unlisted securities:				
– Unlisted equity investments	445,777	214,200	445,777	214,200
– Unlisted private funds	89,700	67,200	14,700	14,700
	535,477	281,400	460,477	228,900

The carrying amounts of the Group's available-for-sale financial assets as at 31 December 2014 and 2013 are denominated in RMB.

The maximum exposure to credit risk at the reporting date is the carrying amounts of the available-for-sale financial assets.

None of these financial assets is either past due or impaired (2013: Nil).

14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2014	2013
Amount comprises:		
Land use rights	57,514,275	38,521,161
Construction costs and capitalised expenditures	18,458,654	15,261,912
Financed costs capitalised	5,354,762	2,328,026
	81,327,691	56,111,099

	Company	
	2014	2013
Amount comprises:		
Land use rights	2,855,057	3,410,538
Construction costs and capitalised expenditures	1,641,447	1,084,308
Financed costs capitalised	707,397	430,573
	5,203,901	4,925,419

The Group made payments for land use rights of RMB8,450,017,000 as at 31 December 2014 (2013: RMB11,265,265,000), for which the Group was in the process of applying for formal land use rights certificates.

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14. PROPERTIES UNDER DEVELOPMENT (Continued)

The Company made payments for land use rights of RMB204,675,000 as at 31 December 2014 (2013: RMB813,244,000), for which the Company was in the process of applying for formal land use rights certificates.

The capitalisation rate used to determine the amount of borrowing costs (Note 33) eligible for capitalisation is as follows:

	Group		Company	
	2014	2013	2014	2013
Capitalisation rate	7.96%	8.82%	6.59%	6.81%

Properties under development pledged as collateral is as follows:

	Group		Company	
	2014	2013	2014	2013
Properties under development (Note 26)	20,461,480	8,360,956	173,085	1,388,225

15. COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2014	2013
Land use rights	4,620,807	2,468,099
Construction costs and capitalised expenditures	11,675,575	8,152,327
Finance costs capitalised	925,734	372,450
	17,222,116	10,992,876

	Company	
	2014	2013
Land use rights	352,969	277,994
Construction costs and capitalised expenditures	1,017,599	948,471
Finance costs capitalised	155,076	114,024
	1,525,644	1,340,489

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15. COMPLETED PROPERTIES HELD FOR SALE (Continued)

Completed properties held for sale pledged as collateral for borrowings is as follows:

	Group		Company	
	2014	2013	2014	2013
Completed properties held for sale (Note 26)	1,325,493	285,489	32,674	73,510

16. INVENTORIES

	Group	
	2014	2013
Construction materials	341,634	280,114
Inventories for hotel operations	17,197	17,806
	358,831	297,920

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
Trade receivables-net (Note (a))	4,823,718	4,638,551	607,667	389,577
Other receivables-net (Note (b))	4,717,407	3,202,860	2,669,709	2,090,122
Prepayments (Note (c))	1,373,880	3,170,441	241,796	152,688
Due from subsidiaries (Note (d))	—	—	4,460,039	7,699,756
Due from joint ventures (Note 43 (xi))	1,709,230	1,561,563	388,878	318,877
Due from an associate (Note 43 (xii))	2,039,377	2,039,377	2,039,377	2,039,377
Total	14,663,612	14,612,792	10,407,466	12,690,397
Less: non-current portion	(3,772,884)	(1,450,024)	(2,534,373)	(384,188)
Current portion	10,890,728	13,162,768	7,873,093	12,306,209

The carrying amounts of trade and other receivables approximate their fair values.

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables

	Group		Company	
	2014	2013	2014	2013
Trade receivables – current portion	4,688,168	4,640,369	596,989	390,599
Less: allowance for impairment	(1,818)	(1,818)	(1,022)	(1,022)
Trade receivables – non-current portion	4,686,350	4,638,551	595,967	389,577
	137,368	–	11,700	–
	4,823,718	4,638,551	607,667	389,577

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of current portion of trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
0 to 90 days	2,981,140	3,307,354	505,625	329,883
91 to 180 days	272,507	231,697	34,340	2,921
181 to 365 days	897,737	338,733	22,013	21,576
1 year to 2 years	201,356	495,724	5,356	5,206
Over 2 years	335,428	266,861	29,655	31,013
	4,688,168	4,640,369	596,989	390,599

Trade receivables are analysed as follows:

	Group		Company	
	2014	2013	2014	2013
Fully performing under credit terms	4,681,816	4,475,936	607,667	389,577
Past due but not impaired	141,902	162,615	–	–
Non-performing and impaired	1,818	1,818	1,022	1,022
Trade receivables	4,825,536	4,640,369	608,689	390,599
Less: allowance for impairment	(1,818)	(1,818)	(1,022)	(1,022)
Trade receivables – net	4,823,718	4,638,551	607,667	389,577

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

As at 31 December 2014, trade receivables of RMB1,818,000 (2013: RMB1,818,000) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
Over 2 years	1,818	1,818	1,022	1,022

For past due but not impaired receivables, the Group has the right to cancel the sale contracts and take over the legal title of the underlying properties for re-sale. Therefore, the directors consider that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2014 (2013: Nil). The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2014	2013	2014	2013
1 year to 2 years	–	61,461	–	–
Over 2 years	141,902	101,154	–	–
	141,902	162,615	–	–

Movements on the allowance for impairment of trade receivables are as follows:

	Group		Company	
	2014	2013	2014	2013
At 1 January	1,818	1,818	1,022	1,022
Reversal of allowance for doubtful debts (Notes 31 and 38)	–	–	–	–
At 31 December	1,818	1,818	1,022	1,022

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables

Other receivables are analysed as below:

	Group		Company	
	2014	2013	2014	2013
Performing under normal business	4,717,407	3,202,860	2,669,709	2,090,122
Non-performing and impaired	52,181	42,490	4,415	4,273
Other receivables	4,769,588	3,245,350	2,674,124	2,094,395
Less: allowance for impairment	(52,181)	(42,490)	(4,415)	(4,273)
Other receivables – net	4,717,407	3,202,860	2,669,709	2,090,122

Movements on the allowance for impairment of other receivables are as follows:

	Group		Company	
	2014	2013	2014	2013
At 1 January	42,490	33,012	4,273	4,597
Allowance for doubtful debts (Notes 31 and 38)	27,021	21,812	243	343
Reversal of allowance for doubtful debts (Notes 31 and 38)	(17,330)	(12,334)	(101)	(667)
At 31 December	52,181	42,490	4,415	4,273

- (c) Prepayments mainly represent prepayments for acquisitions of land use rights and prepayments for purchases of construction materials.
- (d) The amounts due from subsidiaries are unsecured, interest free and repayable on demand.
- (e) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
RMB	13,276,264	11,442,351
AUD	7	–
MYR	13,318	–
SGD	143	–
	13,289,732	11,442,351

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(All amounts in RMB Yuan thousands unless otherwise stated)

18. RESTRICTED CASH

	Group		Company	
	2014	2013	2014	2013
Guarantee deposits for construction of pre-sold properties (Note (a))	5,185,277	3,683,549	887,762	450,258
Guarantee deposits for resettlement costs (Note (b))	116,982	11,250	9,634	10,925
Guarantee deposits for construction payables (Note (c))	60,115	120,774	–	2,979
Guarantee deposits for borrowings	–	2,325,655	–	961,700
Guarantee deposits for mortgage loans provided to customers (Note (d))	25,816	21,132	–	–
Guarantee deposits for interest of senior notes (Note (e))	549,831	382,009	–	–
Others (Note (f))	401,476	77,804	923	22,477
	6,339,497	6,622,173	898,319	1,448,339

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (e) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after payment of interest.
- (f) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

18. RESTRICTED CASH (Continued)

The restricted cash is denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
RMB	5,789,656	6,310,665	898,319	1,425,863
HKD	–	22,792	–	22,476
USD	549,841	288,716	–	–
	6,339,497	6,622,173	898,319	1,448,339

The directors of the Group are of the view that the restricted cash listed above will be released within one year.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
Cash at bank and on hand	13,490,425	17,722,162	597,861	3,087,307

	Group		Company	
	2014	2013	2014	2013
Denominated in:				
– RMB	13,065,930	15,676,718	575,592	3,080,727
– USD	347,094	1,998,701	1,786	1,001
– MYR	41,033	6,713	–	–
– HKD	26,698	40,030	20,483	5,579
– AUD	9,393	–	–	–
– SGD	277	–	–	–
	13,490,425	17,722,162	597,861	3,087,307

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 31 December 2014 and 2013		
– domestic shares	2,207,109	551,777
– H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited. The share premium related to H shares is shown in Note 22.

As at 31 December 2014 and 2013, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

21. RETAINED EARNINGS

	Group		Company	
	2014	2013	2014	2013
Balance at 1 January	27,129,554	21,476,124	2,846,977	2,480,725
Profit for the year	5,220,603	7,633,860	2,442,460	2,346,682
Dividends	(1,600,499)	(1,980,430)	(1,600,499)	(1,980,430)
Balance at 31 December	30,749,658	27,129,554	3,688,938	2,846,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

22. OTHER RESERVES

The Group

	Share premium	Available- for-sale financial assets	Statutory reserves	Translation reserves	Others	Total
Balance at 1 January 2013	3,636,625	175,834	539,144	–	–	4,351,603
Fair value losses of available-for-sale financial assets, net of tax	–	(7,350)	–	–	–	(7,350)
Balance at 31 December 2013	3,636,625	168,484	539,144	–	–	4,344,253
Balance at 1 January 2014	3,636,625	168,484	539,144	–	–	4,344,253
Fair value gains of available-for-sale financial assets, net of tax	–	173,683	–	–	–	173,683
Currency translation differences	–	–	–	5,810	–	5,810
Gains on disposals of shares held for Share Award Scheme	–	–	–	–	15,076	15,076
Balance at 31 December 2014	3,636,625	342,167	539,144	5,810	15,076	4,538,822

The Company

	Share premium	Available- for-sale financial assets	Statutory reserves	Others	Total
Balance at 1 January 2013	3,636,625	175,834	539,144	–	4,351,603
Fair value losses of available-for-sale financial assets, net of tax	–	(7,350)	–	–	(7,350)
Balance at 31 December 2013	3,636,625	168,484	539,144	–	4,344,253
Balance at 1 January 2014	3,636,625	168,484	539,144	–	4,344,253
Fair value gains of available-for-sale financial assets, net of tax	–	173,683	–	–	173,683
Gains on disposals of shares held for Share Award Scheme	–	–	–	15,076	15,076
Balance at 31 December 2014	3,636,625	342,167	539,144	15,076	4,533,012

- (a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts for the statutory reserve funds until the accumulated balance of such funds reaches 50% of their registered capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

22. OTHER RESERVES (Continued)

- (b) Depending on the natures, the statutory reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.
- (c) Share premium arising from the issue of H shares (Note 20) can be utilised for increasing paid-in capital as approved by the directors.

23. SHARES HELD FOR SHARE AWARD SCHEME

	Group and Company	
	2014	2013
Balance at 1 January	172,563	167,364
Shares purchased for Share Award Scheme	–	5,199
Disposals of shares	(43,852)	–
Balance at 31 December	128,711	172,563

On 23 August 2011, a Share Award Scheme (the “Scheme”) was approved and adopted by the Board of Directors of the Company. The Share Award Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 31 December 2014, 21,370,000 H shares (31 December 2013: 28,650,800 H shares) held by the Group were recorded as ‘Shares held for Share Award Scheme’ within a component of equity.

24. PERPETUAL CAPITAL INSTRUMENTS

	2014	2013
At 1 January	1,000,000	–
Additions	14,543,912	1,000,000
Profit attributable to holders of perpetual capital instruments	1,331,328	–
Distributions to holders of perpetual capital instruments	(1,226,824)	–
At 31 December	15,648,416	1,000,000

In 2014, certain wholly-owned subsidiaries of the Company issued subordinated perpetual capital instruments (the “Perpetual Capital Instruments”) with the aggregate principal amount of RMB14,543,912,000 (31 December 2013: RMB 1,000,000,000).

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries, secured by pledges of the shares of the subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

25. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
Amounts due to subsidiaries (Note (a))	–	–	19,597,316	16,323,865
Amounts due to joint ventures (Notes (a) and 43 (xi))	1,801,864	2,546,634	51,643	1,097,566
Construction payables (Note (b))	10,498,573	8,751,317	956,313	1,136,889
Other payables and accrued charges (Note (c))	7,141,741	7,080,040	485,431	1,518,911
Total	19,442,178	18,377,991	21,090,703	20,077,231
Less: non-current portion	(171,222)	(596,257)	(171,222)	(596,257)
Current portion	19,270,956	17,781,734	20,919,481	19,480,974

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS

	Group		Company	
	2014	2013	2014	2013
Non-current				
Long-term borrowings				
Bank borrowings (Note (a))				
– Secured	28,833,786	24,062,632	5,230,800	5,458,000
– Unsecured	5,327,900	4,524,000	1,550,000	2,122,000
	34,161,686	28,586,632	6,780,800	7,580,000
Corporate bonds (Note (b))				
– Unsecured	–	5,498,933	–	5,498,933
Senior notes (Note (c))				
– Secured	11,987,708	8,521,961	–	–
Other borrowings (Note (d))				
– Secured	16,268,944	15,143,577	576,270	576,270
– Unsecured	2,050,000	1,000,000	500,000	500,000
	18,318,944	16,143,577	1,076,270	1,076,270
Finance lease liabilities (Note (e))				
– Secured	105,332	147,189	–	–
Less: current portion of long-term borrowings	(19,020,068)	(15,545,778)	(1,893,770)	(7,178,933)
	45,553,602	43,352,514	5,963,300	6,976,270
Current				
Short-term borrowings				
Bank borrowings (Note (a))				
– Secured	–	2,080,535	–	–
– Unsecured	377,000	469,000	–	–
	377,000	2,549,535	–	–
Other borrowings (Note (d))				
– Unsecured	2,708,000	–	–	–
	3,085,000	2,549,535	–	–
Current portion of long-term borrowings	19,020,068	15,545,778	1,893,770	7,178,933
Total borrowings	67,658,670	61,447,827	7,857,070	14,155,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	Group		Company	
	2014	2013	2014	2013
At 1 January	31,136,167	19,222,080	7,580,000	4,229,000
Additions	16,612,827	20,404,895	1,335,000	5,135,000
Acquisition of a subsidiary	1,921,400	200,000	–	–
Repayments	(15,185,655)	(8,705,231)	(2,134,200)	(1,784,000)
Amortisation of transaction costs	53,947	14,423	–	–
At 31 December	34,538,686	31,136,167	6,780,800	7,580,000

(ii) The maturity of bank borrowings is as follows:

	Group		Company	
	2014	2013	2014	2013
Within one year	7,343,431	8,455,235	1,317,500	1,680,000
Between one and two years	11,382,610	7,332,041	2,946,800	1,558,000
Between two and five years	11,536,448	11,732,780	2,516,500	4,342,000
Over five years	4,276,197	3,616,111	–	–
Total bank borrowings	34,538,686	31,136,167	6,780,800	7,580,000

	Group		Company	
	2014	2013	2014	2013
Wholly repayable within 5 years	28,270,439	25,286,056	6,780,800	7,580,000
Wholly repayable after 5 years	6,268,247	5,850,111	–	–
Total bank borrowings	34,538,686	31,136,167	6,780,800	7,580,000

26. BORROWINGS (Continued)

(a) Bank borrowings (Continued)

(iii) The carrying amounts of bank borrowings are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
RMB	34,538,686	30,221,632	6,780,800	7,580,000
USD	–	914,535	–	–
	34,538,686	31,136,167	6,780,800	7,580,000

(iv) Interest is charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

	2014	2013
RMB bank borrowings – floating rates	6.76%	6.66%
USD bank borrowings – floating rates	–	2.85%

(v) The carrying amounts and fair value of the non-current bank borrowings are as follows:

	Group			
	Carrying amounts		Fair values	
	2014	2013	2014	2013
Bank borrowings	27,195,255	22,680,932	27,707,850	22,712,741

	Company			
	Carrying amounts		Fair values	
	2014	2013	2014	2013
Bank borrowings	5,463,300	5,900,000	5,548,001	5,925,226

The carrying amounts of non-current bank borrowings approximate their fair values as all such bank borrowings are at floating interest rates. The fair values are based on cash flows discounted at the borrowing rate of 6.03% (2013: 6.50%) and are within level 2 of the fair value hierarchy.

The carrying amounts of short-term bank borrowings approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(b) Corporate bonds

The Company issued 55,000,000 bonds at a par value of RMB5.5 billion in the PRC on 23 October 2009. The bonds were listed on the Shanghai Stock Exchange on 12 November 2009.

On 23 October 2014 (the "Maturity Date"), the Company, redeemed the corporate bonds in full at a redemption price equal to 100% of the principal amount of the corporate bonds outstanding thereof which amounted to RMB5.5 billion plus the accrued and unpaid interest of RMB 317,832,000 as of the Maturity Date.

The movements of the bonds are set out below:

	Group and Company	
	2014	2013
At 1 January	5,498,933	5,497,684
Interest charged (Note 33)	318,899	394,499
Interest included in other payables	(317,832)	(393,250)
Redemption	(5,500,000)	–
At 31 December	–	5,498,933

(c) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at face value (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB3,527,947,000.

On 29 April 2014 (the "Maturity Date"), Big Will, redeemed the 7% senior notes due that date in full at a redemption price equal to 100% of the principal amount of the 2011 Senior Notes outstanding thereof which amounted to RMB2,612,000,000 plus the accrued and unpaid interest of RMB 91,420,000 as of the Maturity Date.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at the redemption date.

26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited (“Caifu”) issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at face value (the “Original Notes”).

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the “Additional Notes” and, together with the Original Notes, the “2013 Notes”).

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited (“Trillion Chance”) issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the “2014 Notes”). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of equity interests of certain guarantors, which are offshore subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to 12.25%.

The movements of senior notes are set out below:

	Group	
	2014	2013
At 1 January	8,521,961	4,948,275
Issuance of the 2014 Notes	5,991,541	–
Issuance of the 2013 Notes	–	3,708,031
Redemption of the 2011 Notes	(2,612,000)	–
Interest charged (Note 33)	1,198,121	791,052
Interest included in other payables	(1,151,817)	(742,548)
Exchange losses/(gains)	39,902	(182,849)
At 31 December	11,987,708	8,521,961

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26. BORROWINGS (Continued)

(c) Senior notes (Continued)

The carrying amounts of senior notes are denominated in the following currencies:

	Group	
	2014	2013
RMB	–	2,606,317
USD	11,987,708	5,915,644
	11,987,708	8,521,961

The fair value of the senior notes as at 31 December 2014 amounted to RMB11,704,025,000 (2013: RMB8,976,323,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2014, the last trading date of 2014, and is within level 1 of the fair value hierarchy.

(d) Other borrowings

Certain subsidiaries of the Group (the “Project Companies”) have entered into funding arrangements with certain financial institutions (the “Trustees”), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 盛安創富, which is an associate of the Company and certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 7.07% to 12.33%.

The movements of other borrowings are set out below:

	Group	
	2014	2013
At 1 January	16,143,577	5,777,935
Additions	6,346,000	14,798,000
Acquisition of a subsidiary	–	318,000
Repayments	(1,509,779)	(4,754,000)
Interest charged (Note 33)	1,955,715	1,052,539
Interest included in other payables	(1,908,569)	(1,048,897)
At 31 December	21,026,944	16,143,577

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(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(d) Other borrowings (Continued)

The maturity of other borrowings is as follows.

	Group		Company	
	2014	2013	2014	2013
Within one year	14,715,959	1,491,479	576,270	–
Between one and two years	3,968,000	11,558,000	500,000	–
Between two and five years	2,342,985	3,094,098	–	1,076,270
Total other borrowings	21,026,944	16,143,577	1,076,270	1,076,270

	Group		Company	
	2014	2013	2014	2013
Wholly repayable within 5 years	21,026,944	16,143,577	1,076,270	1,076,270

The carrying amounts of other borrowings approximate their fair values.

(e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the “Lessee”) entered into an aircraft rental agreement with an independent third party under a financial lease (the “Arrangement”). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB94,830,000.

	Group	
	2014	2013
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	50,222	50,222
Later than 1 year and no later than 5 years	62,779	113,001
	113,001	163,223
Future finance charges on finance leases	(7,669)	(16,034)
Present value of finance lease liabilities	105,332	147,189
The present value of finance lease liabilities is as follows:		
No later than 1 year	45,677	43,349
Later than 1 year and no later than 5 years	59,655	103,840
	105,332	147,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

- (f) As at 31 December 2014, bank and other borrowings totalling RMB45,102,730,000 (2013: RMB41,286,744,000) of the Group and RMB5,807,070,000 (2013: RMB6,034,270,000) of the Company were secured by the following:

	Group		Company	
	2014	2013	2014	2013
Land use rights (Note 6)	581,083	582,136	72,399	74,657
Property, plant and equipment (Note 7)	4,309,544	4,070,513	1,305,901	868,751
Investment properties (Note 8)	6,853,499	10,921,305	826,733	118,625
Properties under development (Note 14)	20,461,480	8,360,956	173,085	1,388,225
Completed properties held for sale (Note 15)	1,325,493	285,489	32,674	73,510
Restricted cash (Note 18)	–	2,325,655	–	961,700
Equity interests in subsidiaries	2,859,000	2,627,000	–	–
	36,390,099	29,173,054	2,410,792	3,485,468

The majority of unsecured bank borrowings and other borrowings are supported by guarantees issued by the Company or subsidiaries of the Group. Details are as follows:

	Group		Company	
	2014	2013	2014	2013
Guarantors				
The Company	6,254,900	2,971,000	–	–
Subsidiaries	1,214,000	446,000	1,214,000	446,000
	7,468,900	3,417,000	1,214,000	446,000

27. TAX PREPAYMENTS

Details of tax prepayments are as follows:

	Group		Company	
	2014	2013	2014	2013
Enterprise income tax prepayments	417,417	348,020	29,801	1,645
Land appreciation tax prepayments	975,129	530,056	50,534	9,083
Business tax prepayments	1,156,344	772,431	74,112	5,835
Other tax prepayments	2,962	5,735	–	–
	2,551,852	1,656,242	154,447	16,563

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group	
	2014	2013
Deferred tax assets:		
– To be recovered after 12 months	2,030,293	2,439,991
– To be recovered within 12 months	897,471	777,897
	2,927,764	3,217,888
Deferred tax liabilities:		
– To be recovered after 12 months	(2,687,843)	(2,920,832)
– To be recovered within 12 months	(591,065)	(668,870)
	(3,278,908)	(3,589,702)
Deferred tax liabilities – net	(351,144)	(371,814)
	Company	
	2014	2013
Deferred tax assets:		
– To be recovered after 12 months	5,109	6,827
– To be recovered within 12 months	84,238	177,091
	89,347	183,918
Deferred tax liabilities:		
– To be recovered after 12 months	–	(76,317)
– To be recovered within 12 months	–	(37,798)
	–	(114,115)
Deferred tax assets – net	89,347	69,803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX (Continued)

The gross movements on the deferred income tax account are as follows:

	Group	
	2014	2013
At 1 January	(371,814)	(84,174)
Income statement credits/(charges) (Note 34)	78,564	(290,090)
Tax (charges)/credits relating to components of other comprehensive income (Note 34)	(57,894)	2,450
At 31 December	(351,144)	(371,814)

	Company	
	2014	2013
At 1 January	69,803	62,997
Income statement credits	77,438	4,356
Tax (charges)/credits relating to components of other comprehensive income	(57,894)	2,450
At 31 December	89,347	69,803

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

28. DEFERRED INCOME TAX (Continued)

Deferred tax liabilities:

	Group					
	Timing difference in sales recognition and related cost of sales	Fair value of investment properties over the tax bases	Revaluation gain arising from business combinations	Revaluation of available- for-sale financial assets	Interest capitalisation and others	Total
At 1 January 2013	444,224	2,144,450	118,560	40,178	33,293	2,780,705
Charged/(credited) to the income statement	224,646	604,119	(17,318)	–	–	811,447
Charged to other comprehensive income	–	–	–	(2,450)	–	(2,450)
At 31 December 2013	668,870	2,748,569	101,242	37,728	33,293	3,589,702
Charged/(credited) to the income statement	(77,805)	412,613	(754)	–	216,397	550,451
Credited to other comprehensive income	–	–	–	57,894	–	57,894
At 31 December 2014	591,065	3,161,182	100,488	95,622	249,690	4,198,047

	Company				
	Timing difference in sales recognition and related cost of sales	Fair value of investment properties over the tax bases	Revaluation of available- for-sale financial assets	Others	Total
At 1 January 2013	20,744	31,830	40,178	4,986	97,738
Charged to the income statement	17,054	1,773	–	–	18,827
Credited to other comprehensive income	–	–	(2,450)	–	(2,450)
At 31 December 2013	37,798	33,603	37,728	4,986	114,115
Charged/(credited) to the income statement	44,713	(6,357)	–	–	38,356
Charged to other comprehensive income	–	–	57,894	–	57,894
At 31 December 2014	82,511	27,246	95,622	4,986	210,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Group				
	Accruals	Tax losses	Unrealised profit on intra-group transactions	Others	Total
At 1 January 2013	2,173,545	298,352	189,575	35,059	2,696,531
Credited to the income statement	374,782	94,287	32,727	19,561	521,357
At 31 December 2013	2,548,327	392,639	222,302	54,620	3,217,888
Credited to the income statement	161,404	323,841	140,463	3,307	629,015
At 31 December 2014	2,709,731	716,480	362,765	57,927	3,846,903

	Company		
	Accruals	Others	Total
At 1 January 2013	159,330	1,405	160,735
Credited/(charged) to the income statement	23,264	(81)	23,183
At 31 December 2013	182,594	1,324	183,918
Credited to the income statement	115,759	35	115,794
At 31 December 2014	298,353	1,359	299,712

As at 31 December 2014, deferred income tax assets of RMB919,139,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2013: Nil).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB 233,375,000 (2013: RMB155,023,000) in respect of losses amounting to RMB 1,414,396,000 (2013: RMB 939,531,000) that can be carried forward against future taxable income. Losses amounting to RMB83,201,000 (2013: RMB109,275,000) and RMB163,465,000 (2013: RMB92,744,000) expire in 2015 and 2016 respectively.

29. CURRENT INCOME TAX LIABILITIES

	Group		Company	
	2014	2013	2014	2013
Land appreciation tax liabilities	7,576,877	7,430,374	719,698	643,750
Income tax liabilities	2,512,353	2,241,293	176,110	–
	10,089,230	9,671,667	895,808	643,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

30. OTHER GAINS – NET

	2014	2013
Fair value gains on investment properties-net (Notes 8 and 38)	1,638,174	2,436,203
Interest income (Note 38)	211,760	151,684
Dividends received on available-for-sale financial assets (Note 38)	–	2,595
Gains on disposals of investment properties (Note 38)	3,394	406
Gains on disposals of property, plant and equipment (Note 38)	14,859	2,995
Others	56,911	50,537
	1,925,098	2,644,420

31. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2014	2013
Crediting		
Reversal of allowance for doubtful debts (Notes 17 and 38)	(17,330)	(12,334)
Charging		
Cost of completed properties sold	19,997,339	19,634,964
Business taxes and other levies	2,094,171	2,185,818
Employee benefit expenses (Note 32)	1,172,432	945,736
Depreciation (Notes 7 and 38)	388,178	280,649
Advertising costs	269,457	211,641
Amortisation of land use rights and intangible assets (Note 38)	84,525	51,577
Office expenses	194,644	135,291
Operating lease payments	14,320	32,128
Allowance for doubtful debts (Notes 17 and 38)	27,021	21,812
Auditors' remuneration	10,246	9,397
Others	1,272,988	1,004,339
	25,525,321	24,513,352
	25,507,991	24,501,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSES

The employee benefit expenses, including Directors' and Supervisors' emoluments, are as follows:

	2014	2013
Wages and salaries	903,614	711,361
Retirement scheme contributions	202,663	178,797
Other allowances and benefits	66,155	55,578
	1,172,432	945,736

(a) Directors' and Chief Executive's emoluments

The remuneration of every Director and the Chief Executive for the year ended 31 December 2014 is set out below:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,525	236	3,761
Mr. Lu Jing	3,105	274	3,379
Non-executive Directors			
Ms. Zhang Lin	371	—	371
Ms. Li Helen	371	—	371
Independent non-executive Directors			
Mr. Huang Kaiwen	360	—	360
Mr. Dai Feng (resigned on 28 February 2014)	49	—	49
Mr. Lai Ming Joseph	295	—	295
Mr. Zheng Ercheng (appointed on 30 May 2014)	172	—	172

The remuneration of every Director and the Chief Executive for the year ended 31 December 2013 is set out below:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,105	236	3,341
Mr. Lu Jing	2,605	274	2,879
Non-executive Directors			
Ms. Zhang Lin	373	—	373
Ms. Li Helen	373	—	373
Independent non-executive Directors			
Mr. Huang Kaiwen	360	—	360
Mr. Dai Feng (resigned on 28 February 2014)	297	—	297
Mr. Lai Ming Joseph	297	—	297

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Supervisors' emoluments

The remuneration of every Supervisor for the year ended 31 December 2014 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zheng Ercheng (resigned on 30 May 2014)	36
Mr. Zhao Xianglin (appointed on 16 September 2014)	14

The remuneration of every Supervisor for the year ended 31 December 2013 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	64
Ms. Liang Yingmei	66
Mr. Zheng Ercheng	66

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director (2013: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable of the five (2013: Five) individuals during the year are as follows:

	2014	2013
Salaries	60,756	81,757

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32. EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals (Continued)

The emolument of the individual fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
HKD10,000,001 to HKD10,500,000	1	–
HKD10,500,001 to HKD11,000,000	1	–
HKD11,000,001 to HKD11,500,000	–	1
HKD12,000,001 to HKD12,500,000	–	1
HKD13,000,001 to HKD13,500,000	–	1
HKD13,500,001 to HKD14,000,000	1	–
HKD15,500,001 to HKD16,000,000	–	1
HKD19,500,001 to HKD20,000,000	1	–
HKD22,000,001 to HKD22,500,000	1	–
HKD50,000,001 to HKD50,500,000	–	1

Note:

- (i) Mr. Zhang Li is also the Chief Executive of the Company.
- (ii) Other benefits mainly include welfare and transportation expenses.
- (iii) No directors or Supervisors of the Company waived or agreed to waive any remuneration for the year ended 31 December 2014 (2013: Nil).
- (iv) During the year, no emolument was paid by the Group to any of the above directors or supervisors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

33. FINANCE COSTS

	2014	2013
Interest expenses:		
– bank borrowings	2,319,584	1,636,749
– corporate bonds (Note 26 (b))	318,899	394,499
– senior notes (Note 26 (c))	1,198,121	791,052
– other borrowings (Note 26 (d))	1,955,715	1,052,539
– finance lease liabilities	8,366	11,123
	5,800,685	3,885,962
Net foreign exchange losses/(gains)	301,545	(88,029)
Less: finance costs capitalised	(4,886,309)	(1,864,191)
	1,215,921	1,933,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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34. INCOME TAX EXPENSES

	2014	2013
Current income tax		
– PRC enterprise income tax (Note (b))	2,446,005	2,587,798
Deferred income tax (Note 28)	(78,564)	290,090
	2,367,441	2,877,888
Current PRC land appreciation tax (Note (c))	1,282,556	2,348,293
Total income tax expenses (Note (d))	3,649,997	5,226,181

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2013: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the year ended 31 December 2014, except for certain companies in the Group which were taxed at 2%-3% (2013: 2.5%-3.5%) on their revenue, other businesses within the Group were primarily taxed at 25% (2013: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2014	2013
Profit before income tax	10,156,386	12,871,829
Less: land appreciation tax	(1,282,556)	(2,348,293)
	8,873,830	10,523,536
Calculated at tax rate of 25% (2013: 25%)	2,218,458	2,630,884
Effects of:		
– Different income tax rates of certain companies	(2,399)	(23,071)
– Share of results of joint ventures and associates	(36,146)	(76,588)
– Expenses and development costs not deductible for tax purposes	282,469	326,279
– Others	(94,941)	20,384
PRC enterprise income tax	2,367,441	2,877,888
Land appreciation tax	1,282,556	2,348,293
Tax charge (Note 38)	3,649,997	5,226,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. INCOME TAX EXPENSES (Continued)

(e) The tax (charges)/credits relating to components of other comprehensive income are as follows:

	2014			2013		
	Before tax	Tax credit	After tax	Before tax	Tax charge	After tax
Fair value gains/(losses) of available-for-sale financial assets (Note 28)	231,577	(57,894)	173,683	(9,800)	2,450	(7,350)

35. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,442,460,000 (2013: RMB2,346,682,000).

36. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2014	2013
Profit attributable to owners of the Company	5,220,603	7,633,860
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,198,005	3,194,058
Earnings per share (RMB per share)	1.6325	2.3900

There were no dilutive potential ordinary shares as at 31 December 2014 and 2013.

37. DIVIDENDS

	2014	2013
No interim dividends (2013: RMB0.12 per ordinary share)	–	386,684
Less: Dividends of RMB for shares held for Share Award Scheme	–	(3,438)
	–	383,246
No final dividends proposed (2013: RMB0.50 per ordinary share)	–	1,611,184
Less: Dividends for shares held for Share Award Scheme	–	(14,325)
	–	1,596,859
	–	1,980,105

No interim dividend in respect of the six months ended 30 June 2014 was proposed by the Board of Directors (six months ended 30 June 2013: RMB386,684,000).

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37. DIVIDENDS (Continued)

A final dividend in respect of 2013 of RMB0.5 per ordinary share, totalling RMB1,611,184,000 was declared in the Company's Annual General Meeting on 29 May 2014, of which RMB10,685,000 was declared and paid for shares held by Share Award Scheme.

No final dividend in respect of 2014 was proposed by the Board of Directors.

The aggregate amounts of the dividends paid and proposed during 2014 and 2013 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

38. CASH GENERATED FROM OPERATIONS

	2014	2013
Profit for the year	6,506,389	7,645,648
Adjustments for:		
– Tax (Note 34)	3,649,997	5,226,181
– Interest income (Note 30)	(211,760)	(151,684)
– Finance costs (Note 33)	1,215,921	1,933,742
– Depreciation (Notes 7 and 31)	388,178	280,649
– Amortisation of land use rights and intangible assets (Note 31)	84,525	51,577
– Gain on disposal of a subsidiary	–	(500)
– Gains on disposals of property, plant and equipment (Note 30)	(14,859)	(2,995)
– Gains on disposals of investment properties (Note 30)	(3,394)	(406)
– Goodwill disposed for sale of properties, charged to cost of sales (Note 9)	3,269	9,163
– Allowance for doubtful debts (Notes 17 and 31)	27,021	21,812
– Reversal of allowance for doubtful debts (Notes 17 and 31)	(17,330)	(12,334)
– Share of results of joint ventures	(169,789)	(357,253)
– Share of results of associates	25,205	50,901
– Fair value gains on investment properties-net (Notes 8 and 30)	(1,638,174)	(2,436,203)
– Dividends received on available-for-sale financial assets (Note 30)	–	(2,595)
– Elimination of unrealised profits	–	6,931
Operating profit before changes in working capital	9,845,199	12,262,634
Changes in working capital:		
– Properties under development and completed properties held for sale	(26,868,248)	(16,970,950)
– Trade receivables	(185,167)	(1,628,816)
– Other receivables, deposits and prepayments	409,273	(2,212,993)
– Restricted cash	(1,712,284)	89,997
– Deposits received on sale of properties	5,447,833	612,687
– Accruals and other payables	822,078	2,885,742
– Business tax payables	(165,834)	69,461
Net cash and cash equivalents used in operations	(12,407,150)	(4,892,238)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. CASH GENERATED FROM OPERATIONS (Continued)

In the statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2014	2013
Net book amount (Note 7)	10,534	2,962
Gains on disposals of property, plant and equipment (Note 30)	14,859	2,995
Proceeds from disposals of property, plant and equipment	25,393	5,957

In the statement of cash flows, proceeds from disposals of investment properties comprise:

	2014	2013
Net book amount (Note 8)	38,048	577
Gains on disposal of investment properties (Note 30)	3,394	406
Proceeds from disposals of investment properties	41,442	983

39. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group and the Company as at 31 December 2014 are analysed as follows:

	Group		Company	
	2014	2013	2014	2013
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	18,438,122	16,424,379	3,360,743	3,944,495
Guarantees for borrowings of subsidiaries (Note (b))	—	—	6,254,900	2,971,000
Guarantees in respect of borrowings of joint ventures and an associate (Notes (c))	3,894,686	2,754,336	3,090,065	1,430,240
	22,332,808	19,178,715	12,705,708	8,345,735

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents guarantees provided to subsidiaries of the Group to obtain borrowings. The directors consider that the fair value of these contracts at the date of inception was minimal and understand the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

- (c) The balance represents the maximum exposure of the guarantee provided for joint ventures and an associate for their borrowings.

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40. COMMITMENTS

(a) Expenditure commitments

	Group	
	2014	2013
Authorised but not contracted for	8,314,109	11,277,421
Contracted but not provided for	27,291,273	27,908,661
	35,605,382	39,186,082

(b) Operating lease commitments

As at 31 December 2014, the Group and the Company had future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases as follows:

	Group	
	2014	2013
No later than one year	34,449	30,504
Later than one year and no later than five years	55,825	27,964
Over five years	56,901	61,929
	147,175	120,397

41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 30 June 2014, the Company disposed of 25% of equity interests in 廣州天禧 (a previously wholly-owned subsidiary) at a consideration of RMB200,277,000 to a third party without change in control. There is no gain or loss from this disposal.

42. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

As at 31 December 2014, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	Group		Company	
	2014	2013	2014	2013
No later than one year	750,879	699,610	101,497	105,643
Later than one year and no later than five years	1,339,177	1,108,343	98,730	123,253
Over five years	826,835	504,815	11,820	10,660
	2,916,891	2,312,768	212,047	239,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr Li Sze Lim and Mr Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of lease of properties

	2014	2013
Common shareholders: 廣州金貝殼投資有限公司 ("廣州金貝殼")	1,333	1,394
A joint venture: 廣州市富景房地產開發有限公司 ("廣州富景")	87	–

ii) Drinking water system charges

	2014	2013
Common shareholders: 廣州越富環保科技有限公司	1,065	429

iii) Key management compensation

	2014	2013
Salaries and welfare benefits	34,073	30,383

iv) Provision of property management services

	2014	2013
A joint venture: 津南新城	6,301	–

v) Provision of decoration services

	2014	2013
Joint ventures: 廣州富景	52,607	–
貴州大西南	6,000	–
	58,607	–

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43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

vi) Provision of construction services

	2014	2013
Joint ventures:		
廣州富景	42,955	—
津南新城	8,243	—
	51,198	—

vii) Purchase of installation services

	2014	2013
Controlled by an immediate family member of the major shareholder:		
廣州恆量機電工程有限公司	11,109	9,879

viii) Provision of design services

	2014	2013
Joint ventures:		
津南新城	2,789	—
廣州富景	2,328	35,824
廣西富雅	2,337	—
貴州大西南	943	—
	8,397	35,824

ix) Lease of an aircraft under operating lease

	2014	2013
Common shareholders:		
Power Ease Investments Limited	15,399	16,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan thousands unless otherwise stated)

43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

x) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and an associate for project development purpose. As at 31 December 2014, the Group's guarantees for borrowings provided to its joint ventures and an associate are shown as follows:

(a) Bank borrowings

	2014	2013
Joint ventures:		
廣州富景	76,360	199,718
Hines Shanghai	–	301,733
上海悦城	–	286,550
津南新城	206,085	57,000
Charm Talent	528,261	522,646
森華房地產	250,000	–
	1,060,706	1,367,647
An associate:		
廣州利合	503,980	540,000
	1,564,686	1,907,647

(b) Other borrowings

	2014	2013
A joint venture:		
上海悦城	600,000	–
An associate:		
廣州利合	1,730,000	546,689
	2,330,000	546,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in RMB Yuan thousands unless otherwise stated)

43. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xi) Balances with related parties

As at 31 December 2014, the Group had the following significant balances with related parties:

	2014	2013
Due from:		
Joint ventures		
– Non-trade balances		
津南新城 (Note (b))	1,133,176	835,607
森華房地產 (Note (c))	126,845	86,845
騰順投資 (Note (c))	118,205	90,552
貴州大西南 (Note (c))	141,480	141,480
Hines Shanghai	155,346	–
和榮	34,178	–
Value Success (Note (a))	–	82,740
瀋陽億隆 (Note (a))	–	251,370
富力 (瀋陽) (Note (a))	–	72,969
	1,709,230	1,561,563
– Trade balances		
津南新城	2,956	–
瀋陽億隆 (Note (a))	–	105,214
	2,956	105,214
An associate		
– Non-trade balances		
廣州利合 (Note (c))	2,039,377	2,039,377
	3,751,563	3,706,154
Due to:		
Joint ventures		
– Non-trade balances		
上海悅城	934,000	462,000
廣州富景	442,062	1,487,984
和榮	425,802	451,672
Hines Shanghai	–	144,978
	1,801,864	2,546,634

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled according to contract terms.

- (a) The Group acquired the remaining interests in Value Success in 2014. The Group treats it and its subsidiaries as wholly-owned subsidiaries after the acquisition.
- (b) It represents repayment of borrowings and construction costs paid by the Group on behalf of the joint venture.
- (c) It represents prepayments for the purchases of land use rights and construction costs paid by the Group on behalf of the joint ventures and an associate.

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTOR OF R&F PROPERTIES (HK) COMPANY LIMITED**
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 22, which comprises the condensed consolidated interim balance sheet of R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 September 2016

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Land use rights	7	401,371	411,442
Property, plant and equipment	7	1,899,568	1,928,312
Investment properties	7	5,261,660	5,248,285
Intangible assets	7	8,923	9,402
Interests in joint ventures		1,865,387	1,852,192
Interests in associates		488,271	491,294
Deferred income tax assets		382,614	349,193
Total non-current assets		10,307,794	10,290,120
Current assets			
Properties under development		8,410,417	9,165,194
Completed properties held for sale		2,581,302	1,014,655
Inventories		8,760	8,490
Trade and other receivables and prepayments	8	6,138,911	4,975,181
Tax prepayments		183,183	223,928
Restricted cash		1,004,640	1,014,420
Time deposits		107,721	500,000
Cash and cash equivalents		2,102,698	1,134,037
Total current assets		20,537,632	18,035,905
Total assets		30,845,426	28,326,025
EQUITY			
(Deficit)/equity attributable to owners of the Company			
Share capital	9	10	10
Other reserves		(37,535)	27,576
(Accumulated losses)/retained earnings		(53,951)	177,876
		(91,476)	205,462
Non-controlling interests		1,182,471	1,188,014
Total equity		1,090,995	1,393,476

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUE)
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
	Note	30 June 2016	31 December 2015
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	8,757,650	8,200,600
Deferred income tax liabilities		1,081,537	1,063,589
Total non-current liabilities		9,839,187	9,264,189
Current liabilities			
Accruals and other payables	11	6,508,817	2,082,306
Deposits received on sale of properties		1,632,469	2,079,079
Current income tax liabilities		451,700	491,735
Short-term borrowings	10	295,500	-
Current portion of long-term borrowings	10	11,026,758	13,015,240
Total current liabilities		19,915,244	17,668,360
Total liabilities		29,754,431	26,932,549
Total equity and liabilities		30,845,426	28,326,025

The notes on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2016	2015
Revenue	6	2,611,982	502,845
Cost of sales		(2,108,098)	(280,409)
Gross profit		503,884	222,436
Other income and other gains – net	12	23,947	150,380
Selling and marketing costs		(54,139)	(35,743)
Administrative expenses		(233,008)	(141,864)
Operating profit		240,684	195,209
Finance costs	13	(454,164)	(597,915)
Share of results of joint ventures		13,196	(15,735)
Share of results of associates		(3,024)	3,001
Loss before income tax		(203,308)	(415,440)
Income tax expenses	14	(34,062)	(41,158)
Loss for the period		(237,370)	(456,598)
(Loss)/profit attributable to:			
– Owners of the Company		(231,827)	(469,633)
– Non-controlling interests		(5,543)	13,035
		(237,370)	(456,598)

The notes on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Loss for the period	(237,370)	(456,598)
Other comprehensive (loss)/income		
<i>Items that may be reclassified to profit or loss</i>		
– Currency translation differences	(65,111)	8,607
Total comprehensive loss for the period	(302,481)	(447,991)
Total comprehensive (loss)/income for the period attributable to:		
– Owners of the Company	(296,938)	(461,140)
– Non-controlling interests	(5,543)	13,149
	(302,481)	(447,991)

The notes on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company			Total	Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings /(accumulated losses)			
Balance at 1 January 2016	10	27,576	177,876	205,462	1,188,014	1,393,476
Total comprehensive loss for the period ended 30 June 2016	-	(65,111)	(231,827)	(296,938)	(5,543)	(302,481)
Balance at 30 June 2016	10	(37,535)	(53,951)	(91,476)	1,182,471	1,090,995
Balance at 1 January 2015	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Total comprehensive income /(loss) for the period ended 30 June 2015	-	8,493	(469,633)	(461,140)	13,149	(447,991)
Balance at 30 June 2015	10	14,303	1,704,846	1,719,159	1,195,046	2,914,205

The notes on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
– Cash generated from/(used in) operations	221,092	(504,515)
– Interest paid	(796,583)	(819,107)
– Enterprise income tax and land appreciation tax paid	(83,613)	(38,578)
Cash flows used in operating activities – net	(659,104)	(1,362,200)
Cash flows from investing activities		
– Purchases of property, plant and equipment	(16,557)	(52,555)
– Purchases of intangible assets	(516)	(128)
– Capital contributions made to an associate	-	(49,524)
– Cash repayment from related parties	1,479,377	776,626
– Cash advanced to related parties	(1,480,493)	(2,158,260)
– Decrease in time deposits	392,279	-
– Interest received	10,057	4,315
Cash flows generated from/(used in) investing activities – net	384,147	(1,479,526)
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	2,544,950	4,910,000
– Repayments of borrowings	(3,983,666)	(2,771,680)
– Cash advance from parent company	2,572,906	-
– Decrease in guarantee deposits for bank borrowings	134,604	474
Cash flows generated from financing activities – net	1,268,794	2,138,794
Net increase/(decrease) in cash and cash equivalents	993,837	(702,932)
Exchange (losses)/gains	(25,176)	6,817
Cash and cash equivalents at the beginning of the period	1,134,037	1,906,679
Cash and cash equivalents at the end of the period	2,102,698	1,210,564

The notes on pages 8 to 22 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

R&F Properties (HK) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment and hotel operations in the People’s Republic of China (the “PRC”). In addition, the company has property development projects in Malaysia and Australia.

The Company was incorporated in Hong Kong on 25 August 2005 as a company with limited liability.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB’000), unless otherwise stated.

The Company, as a wholly owned subsidiary of Guangzhou R&F Properties Co., Ltd. (“GZ R&F”), has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company’s statutory financial statements. Consequently, this consolidated financial information and the comparatives do not constitute the Company’s statutory financial statements for either of the years ended 31 December 2016 or 2015. Information relating to the Company’s statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company’s auditor has reported on the company level financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2.1 Going-concern basis

As at 30 June 2016, the deficit attributable to owners of the Company amounted to RMB91,476,000. Included in the current liabilities of the Group were amounts due to fellow subsidiaries and parent company of approximately RMB4,298,725,000. The Group largely depends on the continuing financial support from the parent company to meet its day-to-day working capital requirements. The Group’s parent company, GZ R&F, has confirmed its intention to provide continuing financial support to the Group so as to enable the Group to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2016.

<u>Standards/Interpretations</u>	<u>Subject of amendment</u>
HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendment to HKAS 1	Disclosure initiative
Annual improvements 2014	Annual improvements 2012-2014 cycle

The adoption of the above new and amended standards and interpretations did not have a material impact on the Group.

(b) New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2017 and have not been early adopted by the Group

<u>Standards</u>	<u>Subject of amendment</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to HKAS 12	Income Taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Lease	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted in.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual taxable profit.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5. Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in any risk management policies since year end.

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 ears	Between 2 and 5 years	Over 5 years	Total
At 30 June 2016					
Borrowings(Note (a))	13,280,510	1,458,688	2,191,050	9,743,442	26,673,690
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,445,959	-	-	-	6,445,959
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties(Note (b))	2,975,978	-	-	-	2,975,978
Guarantees in respect of borrowings of a joint venture	319,375	-	-	-	319,375

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 ears	Between 2 and 5 years	Over 5 years	Total
At 31 December 2015					
Borrowings(Note (a))	15,124,278	1,496,023	2,706,425	8,020,221	27,346,947
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,017,096	-	-	-	2,017,096
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties(Note (b))	2,439,760	-	-	-	2,439,760
Guarantees in respect of borrowings of a joint venture	437,283	-	-	-	437,283

Note:

(a) Interest on borrowings is calculated on borrowings held as at 30 June 2016 and 31 December 2015. Floating-rate interest is estimated using the current interest rate as at 30 June 2016 and 31 December 2015 respectively.

(b) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Please refer to Note 15 for details.

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The Group does not have any financial assets or liabilities measured at fair value.

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Cash and cash equivalents
- Time deposits
- Accruals and other payables
- Borrowings except senior notes

The fair values and carrying amounts of senior notes are disclosed in Note10.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information

The chief operating decision-maker has been identified as the Director. The Director reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is principally engaged in the property development, property investment and hotel operations. As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and approximately 85% of the Group's consolidated assets are located in the PRC, no geographical information is presented. The remaining 15% of the consolidated assets are property development projects in Malaysia and Australia. Other services provided by the Group mainly represent property management and health clubs. The results of these operations are included in the "all other segments" column.

The Director assesses the performance of the operating segments based on a measure of profit for the year. The information provided to the Director is measured in a manner consistent with that in the financial statements.

The segment information provided to the Director for the reportable segments for the six months ended 30 June 2016 and 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2016					
Segment revenue	2,161,010	146,271	304,051	650	2,611,982
(Loss)/profit for the period	(283,940)	76,247	(29,990)	313	(237,370)
Finance costs	(355,747)	(25,945)	(72,471)	(1)	(454,164)
Share of results of joint ventures	13,196	-	-	-	13,196
Share of results of associates	(3,024)	-	-	-	(3,024)
Income tax (expenses)/credits	(18,271)	(22,965)	5,821	1,353	(34,062)
Depreciation and amortisation	(6,540)	-	(50,488)	(3)	(57,031)
Allowance for of impairment losses of trade and other receivables	(2,142)	-	(173)	-	(2,315)
Fair value gains on investment properties – net of tax	-	10,556	-	-	10,556

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6. Segment information (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2015					
Segment revenue	94,445	138,481	269,757	162	502,845
(Loss)/profit for the period	(571,165)	169,597	(54,440)	(590)	(456,598)
Finance costs	(470,770)	(39,784)	(87,361)	-	(597,915)
Share of results of joint ventures	(15,735)	-	-	-	(15,735)
Share of results of associates	3,001	-	-	-	3,001
Income tax credits/(expenses)	9,475	(54,615)	3,831	151	(41,158)
Depreciation and amortisation	(6,374)	-	(30,640)	(2)	(37,016)
(Allowance for)/reversal of impairment losses of trade and other receivables	(681)	-	244	-	(437)
Fair value gains on investment properties – net of tax	-	115,584	-	-	115,584

The revenue from external parties reported to the Director is measured in a manner consistent with that in the condensed consolidated income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2016					
Segment assets	22,544,336	5,242,262	2,617,135	59,079	30,462,812
Segment assets include:					
Interests in joint ventures	1,865,387	-	-	-	1,865,387
Interests in associates	488,271	-	-	-	488,271
Additions to non-current assets (other than financial instruments and deferred tax assets)	10,429	-	6,621	23	17,073
Segment liabilities	7,937,052	-	130,166	74,068	8,141,286
As at 31 December 2015					
Segment assets	20,099,139	5,229,158	2,604,464	44,071	27,976,832
Segment assets include:					
Interests in joint ventures	1,852,192	-	-	-	1,852,192
Interests in associates	491,294	-	-	-	491,294
Additions to non-current assets (other than financial instruments and deferred tax assets)	25,467	-	326,673	16	352,156
Segment liabilities	3,962,480	-	125,335	73,570	4,161,385

Deferred income tax assets held by the Group are not considered to be segment assets but are managed on a central basis.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Capital expenditure

	Land use rights	Property, plant and equipment	Investment properties	Intangible assets
Six months ended 30 June 2016				
At 1 January 2016	411,442	1,928,312	5,248,285	9,402
Additions	-	16,557	-	516
Currency translation differences	-	684	-	(7)
Disposals	-	(13)	-	-
Fair value gains	-	-	13,375	-
Depreciation and amortisation	(10,071)	(45,972)	-	(988)
At 30 June 2016	401,371	1,899,568	5,261,660	8,923
Six months ended 30 June 2015				
At 1 January 2015	385,044	1,683,019	4,994,525	4,586
Additions	-	52,555	-	128
Disposals	-	(1)	-	-
Fair value gains	-	-	154,112	-
Depreciation and amortisation	(6,145)	(30,105)	-	(766)
At 30 June 2015	378,899	1,705,468	5,148,637	3,948

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2016, 30 June 2015 and 31 December 2015. The fair value gains are included in "other income and other gains – net" (Note 12).

As at 30 June 2016, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(b) Valuation processes of the Group

The Group's investment properties were revalued on 30 June 2016 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. Capital expenditure (continued)

(c) Valuation techniques

For completed office and retail buildings, valuations are based on the term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting the term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison method. Selling prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

There were no changes to the valuation techniques during the period.

(d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, reversionary yield, market rent and market price

For completed investment properties, increase in term yield and reversionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car parks, increase in market price may result in increase of fair value.

8. Trade and other receivables and prepayments

	As at	
	30 June 2016	31 December 2015
Trade receivables		
- Due from related parties	-	10,827
- Due from third parties	717,091	650,917
	<u>717,091</u>	<u>661,744</u>
Less: allowance for impairment of trade receivables	(3,796)	(2,180)
Trade receivables – net	<u>713,295</u>	<u>659,564</u>
Other receivables	207,837	151,394
Prepayments	64,539	61,503
Due from joint ventures	175,736	170,330
Due from fellow subsidiaries	4,982,758	3,936,945
Less: allowance for impairment of other receivables	(5,254)	(4,555)
Total	<u>6,138,911</u>	<u>4,975,181</u>

At 30 June 2016 and 31 December 2015, the ageing analysis of the trade receivables were as follows:

	As at	
	30 June 2016	31 December 2015
0 to 90 days	162,639	95,463
91 to 180 days	20,649	3,939
181 to 365 days	5,131	33,631
1 year to 2 years	27,709	485,732
Over 2 years	500,963	42,979
	<u>717,091</u>	<u>661,744</u>

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. Share capital

	Number of shares (thousands)	Ordinary shares
At 30 June 2016 and 31 December 2015	10	10

At 30 June 2016 and 31 December 2015, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

10. Borrowings

	As at	
	30 June 2016	31 December 2015
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	8,577,650	7,738,960
- Unsecured	700,000	700,000
	9,277,650	8,438,960
Senior notes		
- Secured (Note (b))	10,506,758	12,776,880
Less: current portion of long-term borrowings	(11,026,758)	(13,015,240)
	8,757,650	8,200,600
Current		
Short-term borrowings		
Bank borrowings		
- Secured (Note (a))	295,500	-
Current portion of long-term borrowings	11,026,758	13,015,240
Total borrowings	20,079,908	21,215,840

(a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2016	2015
At 1 January	8,438,960	3,634,120
Additions	2,544,950	3,910,000
Repayments	(1,410,760)	(71,680)
At 30 June	9,573,150	7,472,440

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R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Borrowings (continued)

(a) Bank borrowings (continued)

(ii) At 30 June 2016, bank borrowings totalling RMB8,873,150,000 (31 December 2015: RMB 7,738,960,000) were secured by the following:

	As at	
	30 June 2016	31 December 2015
Restricted cash	159,000	-
Property, plant and equipment	1,183,128	1,208,117
Investment properties	5,261,660	4,870,117
Properties under development	2,679,525	2,929,725
Land use rights	251,430	255,852
	9,534,743	9,263,811

(b) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

On 29 April 2016, Big Will redeemed the 2011 Notes in full at a redemption price equal to 100% of the principal amount of the 2011 Notes outstanding thereof which amounted to RMB994,680,000 plus the accrued and unpaid interest of RMB52,680,000 as of 29 April 2016.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

On 29 April 2016, Big Will redeemed the 2012 Notes in full at a redemption price equal to 100% of the principal amount of the 2012 Notes outstanding thereof which amounted to RMB1,578,225,600 plus the accrued and unpaid interest of RMB83,586,000 as of 29 April 2016.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. Borrowings (continued)

(b) Senior notes (continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandum of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes") at par. The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandum of the 2014 Notes.

The 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2015: 8.87% to 12.25%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2016	2015
At 1 January	12,776,880	11,987,708
Redemptions of the 2011 and 2012 Notes	(2,572,906)	-
Interest charged (Note 13)	574,435	560,392
Interest included in other payables	(544,376)	(528,170)
Exchange losses/(gains)	272,725	(10,703)
At 30 June	<u>10,506,758</u>	<u>12,009,227</u>

The fair values of the senior notes as at 30 June 2016 amounted to RMB11,278,013,000 (31 December 2015: RMB13,252,554,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on the last trading date of June 2016.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. Accruals and other payables

	As at	
	30 June 2016	31 December 2015
Amounts due to parent company(Note (a))	2,949,341	44,746
Amounts due to fellow subsidiaries(Note (a))	1,053,808	204,393
Amounts due to joint ventures(Note (a))	275,251	364,823
Amounts due to associates(Note (a))	20,325	61,754
Construction payables (Note (b))	1,508,117	669,185
Other payables and accrued charges (Note (c))	701,975	737,405
	6,508,817	2,082,306

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.

(c) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.

12. Other income and other gains – net

	Six months ended 30 June	
	2016	2015
Fair value gains on investment properties	13,375	154,112
Losses on disposals of property, plant and equipment	(13)	(1)
Interest income	10,057	4,315
Others	528	(8,046)
	23,947	150,380

13. Finance costs

	Six months ended 30 June	
	2016	2015
Interest on bank borrowings	234,470	166,497
Interest on other borrowings	-	78,701
Interest on senior notes(Note 10(b))	574,435	560,392
	808,905	805,590
Net foreign exchange (gains)/losses	(114,860)	216,615
Less: finance costs capitalised	(239,881)	(424,290)
	454,164	597,915

14. Income tax expenses

	Six months ended 30 June	
	2016	2015
Current income tax		
– PRC enterprise income tax (Note (b))	(38,681)	(22,945)
Deferred income tax	(17,449)	(17,841)
	(56,130)	(40,786)
Current PRC land appreciation tax (Note (c))	22,068	(372)
Total income tax expenses	(34,062)	(41,158)

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. Income tax expenses (continued)

(a) Hong Kong and overseas profits tax

No Hong Kong and overseas profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the six months ended 30 June 2016, the applicable income tax rate for the profits generated was primarily 25% (six months ended 30 June 2015: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

15. Financial guarantee contracts

	As at	
	30 June 2016	31 December 2015
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	2,975,978	2,439,760
Guarantees in respect of borrowings of a joint venture (Note (b))	319,375	437,283
	3,295,353	2,877,043

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the banks over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for a joint venture for its borrowings.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. Commitments

(a) Capital commitments

Expenditure commitments for properties under development

	As at	
	30 June 2016	31 December 2015
Contracted but not provided for		
Properties development activities	352,289	507,859
Acquisition of land use right	3,501,520	5,399,265
	<u>3,853,809</u>	<u>5,907,124</u>

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2016	31 December 2015
Not later than one year	4,419	775
Later than one year and not later than five years	6,918	10,019
	<u>11,337</u>	<u>10,794</u>

17. Significant related-party transactions

The parent of the Company is GZ R&F which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02% of GZ R&F's shares respectively.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Provision of lease of properties

	Six months ended 30 June	
	2016	2015
Parent company:		
GZ R&F	26,270	26,314

(b) Purchase of property management services

	Six months ended 30 June	
	2016	2015
Fellow subsidiaries:		
广州天力物业发展有限公司	29	727
北京恒富物业服务有限公司	506	368
	<u>535</u>	<u>1,095</u>

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. Significant related-party transactions (continued)

(c) Purchase of construction services

	Six months ended 30 June	
	2016	2015
Fellow subsidiaries:		
广州天力建筑工程有限公司	363,699	23,313
广东恒力建设工程有限公司	46,614	10,352
	<u>410,313</u>	<u>33,665</u>

(d) Provision of hotel services

	Six months ended 30 June	
	2016	2015
Parent company:		
GZ R&F	<u>7,980</u>	<u>12,038</u>

(e) Provision of guarantees for borrowings

	Six months ended 30 June	
	2016	2015
A joint venture:		
Charm Talent Limited	<u>317,307</u>	<u>476,063</u>

(f) Payment of rental expenses

	Six months ended 30 June	
	2016	2015
Parent company:		
GZ R&F	<u>6,889</u>	<u>6,889</u>



羅兵咸永道

Report on review of consolidated financial statements

To the Board of Director of R&F Properties (HK) Company Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the consolidated financial statements set out on pages 2 to 47, which comprise the consolidated balance sheet of R&F Properties (HK) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2015 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

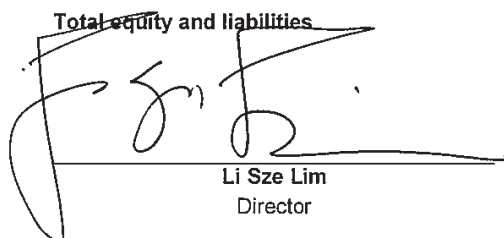
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2016

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated balance sheet

ASSETS	Note	As at 31 December	
		2015	2014
Non-current assets			
Land use rights	6	411,442	385,044
Property, plant and equipment	7	1,928,312	1,683,019
Investment properties	8	5,248,285	4,994,525
Intangible assets		9,402	4,586
Interests in joint ventures	10	1,852,192	1,677,809
Interests in associates	11	491,294	433,123
Deferred income tax assets	22	349,193	269,978
Trade and other receivables and prepayments	15	-	1,892
		<u>10,290,120</u>	<u>9,449,976</u>
Current assets			
Properties under development	13	9,165,194	7,021,835
Completed properties held for sale	14	1,014,655	848,277
Inventories		8,490	7,586
Trade and other receivables and prepayments	15	4,975,181	6,405,005
Tax prepayments		223,928	74,598
Restricted cash	16	1,014,420	741,706
Time deposits	17	500,000	-
Cash and cash equivalents	18	1,134,037	1,906,679
		<u>18,035,905</u>	<u>17,005,686</u>
Total assets		<u>28,326,025</u>	<u>26,455,662</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	10	10
Other reserves		27,576	5,810
Retained earnings		177,876	2,174,479
		<u>205,462</u>	<u>2,180,299</u>
Non-controlling interests	9	1,188,014	1,181,897
Total equity		<u>1,393,476</u>	<u>3,362,196</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	21	8,200,600	16,488,468
Deferred income tax liabilities	22	1,063,589	1,027,296
		<u>9,264,189</u>	<u>17,515,764</u>
Current liabilities			
Accruals and other payables	20	2,082,306	2,511,933
Deposits received on sale of properties		2,079,079	615,254
Current income tax liabilities	23	491,735	617,155
Short-term borrowings	21	-	1,700,000
Current portion of long-term borrowings	21	13,015,240	133,360
		<u>17,668,360</u>	<u>5,577,702</u>
Total liabilities		<u>26,932,549</u>	<u>23,093,466</u>
Total equity and liabilities		<u>28,326,025</u>	<u>26,455,662</u>


Li Sze Lim
Director

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated income statement

	Note	Year ended 31 December	
		2015	2014
Revenue	5	1,372,798	2,012,886
Cost of sales	25	(1,037,577)	(1,281,042)
Gross profit		335,221	731,844
Other income and other gains - net	24	281,747	158,925
Selling and marketing costs	25	(117,189)	(97,334)
Administrative expenses	25	(329,925)	(291,006)
Operating profit		169,854	502,429
Finance costs	27	(2,427,886)	(1,507,587)
Share of results of joint ventures	10	174,383	89,873
Share of results of associates	11	(1,353)	(24,203)
Loss before income tax		(2,085,002)	(939,488)
Income tax credits/(expenses)	28	92,109	(39,487)
Loss for the year		(1,992,893)	(978,975)
Loss attributable to:			
– Owners of the Company		(1,996,603)	(955,341)
– Non-controlling interests		3,710	(23,634)
		(1,992,893)	(978,975)

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2015	2014
Loss for the year	(1,992,893)	(978,975)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
– Currency translation differences	24,173	5,817
Other comprehensive income for the year	<u>24,173</u>	<u>5,817</u>
Total comprehensive loss for the year	<u>(1,968,720)</u>	<u>(973,158)</u>
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(1,972,634)	(949,531)
– Non-controlling interests	3,914	(23,627)
	<u>(1,968,720)</u>	<u>(973,158)</u>

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2014	10	-	3,129,820	3,129,830	1,205,524	4,335,354
Comprehensive income						
Loss for the year	-	-	(955,341)	(955,341)	(23,634)	(978,975)
Currency translation differences	-	5,810	-	5,810	7	5,817
Total comprehensive income	-	5,810	(955,341)	(949,531)	(23,627)	(973,158)
Balance at 31 December 2014	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Balance at 1 January 2015	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Comprehensive income						
(Loss)/profit for the year	-	-	(1,996,603)	(1,996,603)	3,710	(1,992,893)
Currency translation differences	-	23,969	-	23,969	204	24,173
Total comprehensive income	-	23,969	(1,996,603)	(1,972,634)	3,914	(1,968,720)
Transactions with owners						
Changes in ownership interests in subsidiaries without change of control	-	(2,203)	-	(2,203)	2,203	-
Total transactions with owners	-	(2,203)	-	(2,203)	2,203	-
Balance at 31 December 2015	10	27,576	177,876	205,462	1,188,014	1,393,476

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of cash flows

		Year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Cash used in operations	29	(689,944)	(3,876,418)
Interest paid		(2,176,914)	(1,660,865)
Enterprise income tax and land appreciation tax paid		(146,307)	(836,250)
Net cash used in operating activities		<u>(3,013,165)</u>	<u>(6,373,533)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(303,940)	(93,548)
Purchases of intangible assets and land use rights		(45,056)	(1,195)
Proceeds on disposals of property, plant and equipment		714	16,835
Investment in a joint venture		-	(280,266)
Proceeds on disposals of interests in a joint venture		-	54,154
Acquisition of associates		(59,524)	-
Cash repayments from related parties		(2,909,830)	(2,045,729)
Cash advanced to related parties		3,912,197	3,797,254
Increase in time deposits		(500,000)	-
Interest received		12,145	50,979
Net cash generated from investing activities		<u>106,706</u>	<u>1,498,484</u>
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		6,210,000	9,985,968
Repayments of borrowings		(4,105,160)	(6,499,322)
(Increase)/decrease in guarantee deposits related to borrowings		(41,289)	832,494
Net cash generated from financing activities		<u>2,063,551</u>	<u>4,319,140</u>
Net decrease in cash and cash equivalents		(842,908)	(555,909)
Exchange gains on cash and cash equivalents		70,266	29,264
Cash and cash equivalents at beginning of year		1,906,679	2,433,324
Cash and cash equivalents at end of year	18	<u>1,134,037</u>	<u>1,906,679</u>

The notes on pages 7 to 47 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company was incorporated in Hong Kong on 25 August 2005 as a company with limited liability.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Principal subsidiaries of the Group are listed in Note 9.

These consolidated financial statements are presented in RMB Yuan ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director (the "Board") on 29 April 2016.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements for the year ended 31 December 2015 has been prepared for financing purpose. The Company, as a wholly owned subsidiary of Guangzhou R&F Properties Co., Ltd. ("GZ R&F"), has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, this consolidated financial statements and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2015 or 2014. Information relating to the Company's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the company level financial statements for the year ended 31 December 2014. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015.

<u>Standards</u>	<u>Subject</u>
Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010–2012 cycle
Annual improvements 2013	Annual improvements 2011–2013 cycle

The adoption of amended standards has no material impact on the Group's financial statements except for disclosure.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Group's consolidated financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted in.

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions— that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in ownership interests in subsidiaries without change of control. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director who makes strategic decisions.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other income and other gains - net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings	20-30 years
- Furniture, fixtures and equipment	3-5 years
- Transportation equipment	4-15 years

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains - net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other income and other gains - net".

2.9 Intangible assets

The Group's intangible assets comprise computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group's financial assets comprise loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 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.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

Assets carried at amortised cost:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.15 Land use rights

All lands in the PRC are stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

2.18 Inventories

Inventories principally comprise materials held for hotel operations, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties and provision of hotel service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.22 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for property sold, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as "deposits received on sale of properties" under current liabilities.

(b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC, Malaysia and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD"), US dollars ("USD"), Malaysia ringgits ("MYR"), Singapore dollars ("SGD") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2015 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,568	(1,568)
Accruals and other payables	(8,680)	8,680
Denominated in USD		
Cash and cash equivalents	220	(220)
Restricted cash	23,263	(23,263)
Borrowings	(479,133)	479,133
Denominated in MYR		
Cash and cash equivalents	978	(978)
Restricted cash	74	(74)
Trade and other receivables	26	(26)
Accruals and other payables	(194)	194
Denominated in AUD		
Cash and cash equivalents	447	(447)
Restricted cash	168	(168)
Trade and other receivables	300	(300)
Accruals and other payables	(698)	698
Denominated in SGD		
Cash and cash equivalents	16	(16)
Trade and other receivables	5	(5)
Accruals and other payables	(30)	30

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	233	(233)
Accruals and other payables	(15,968)	15,968
Denominated in USD		
Cash and cash equivalents	12,757	(12,757)
Restricted cash	20,619	(20,619)
Borrowings	(449,539)	449,539
Denominated in MYR		
Cash and cash equivalents	1,539	(1,539)
Trade and other receivables	499	(499)
Accruals and other payables	(656)	656
Denominated in AUD		
Cash and cash equivalents	352	(352)
Accruals and other payables	(500)	500
Denominated in SGD		
Cash and cash equivalents	10	(10)
Trade and other receivables	5	(5)
Accruals and other payables	(151)	151

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's borrowings at variable rate were denominated in RMB.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate 25 basis points higher 25 basis points lower increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(12,500)	12,500

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate 25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(8,662)	8,662

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2015, four customer accounted for more than 5% of the Group's trade receivables (31 December 2014: one).

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantee to a joint venture for borrowing.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalent, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

During the year, the Group met the requirements for interest payments and principal repayments due on its borrowings. Based on the Group's accounting policy on borrowings described in Note 2.23 and certain terms and conditions in the relevant agreements, borrowings of RMB 10.3 billion that have original contractual maturity after 31 December 2016 (out of the total related principal amount of RMB 12.8 billion) were reclassified as current liabilities as at 31 December 2015.

In preparing these financial statements, the Director has taken into account all information that could reasonably be expected to be available and have ascertained that the Group will have adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Besides, Guangzhou R&F, its parent Company, successfully issued long-term PRC bonds of RMB9,600,000,000 in January 2016. Under these circumstances, the Director is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months from 31 December 2015.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2015					
Borrowings(Note (1))	15,124,278	1,496,023	2,706,425	8,020,221	27,346,947
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,017,096	-	-	-	2,017,096
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,439,760	-	-	-	2,439,760
Guarantees in respect of borrowings of a joint venture	437,283	-	-	-	437,283
At 31 December 2014					
Borrowings(Note (1))	4,302,584	3,790,529	10,287,340	7,932,599	26,313,052
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,459,293	-	-	-	2,459,293
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,637,217	-	-	-	1,637,217
Guarantees in respect of borrowings of joint ventures	29,102	545,130	-	-	574,232

Note(1): Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

As at 31 December 2015, the Group's working capital was mainly financed by bank borrowings and senior notes (Note 21).

3.3 Fair value estimation

The Group's financial instruments recognised in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

See Note 8 for disclosures of the investment properties that are measured at fair value.

4. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expenses of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions have been disclosed in Note 8.

(d) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties underdevelopment, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2015, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2014: Nil).

Notes to the consolidated financial statements

5. Segment information

The chief operating decision-maker has been identified as the Director. Management has determined the operating segments based on the information reviewed by the Director for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Director considers the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations.

The Director assesses the performance of the operating segments based on a measure of profit for the year.

The segment information provided to the Director for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue from external customers	515,789	297,646	558,520	843	1,372,798
(Loss)/profit for the year	(2,200,594)	332,950	(123,797)	(1,452)	(1,992,893)
Finance costs	(2,208,770)	(47,443)	(171,672)	(1)	(2,427,886)
Share of results of joint ventures	174,383	-	-	-	174,383
Share of results of associates	(1,353)	-	-	-	(1,353)
Income tax credits/(expenses)	180,577	(104,546)	15,525	553	92,109
Depreciation and amortisation	(10,951)	(1,407)	(58,531)	(5)	(70,894)
(Allowance for)/reversal of allowance for impairment losses of receivables	(3,574)	-	187	(1)	(3,388)
Fair value gains on investment properties - net of tax	-	191,789	-	-	191,789
Segment assets	20,099,139	5,229,158	2,604,464	44,071	27,976,832
Segment assets includes:					
Interests in joint ventures	1,852,192	-	-	-	1,852,192
Interests in associates	491,294	-	-	-	491,294
Additions to non-current assets (other than financial instruments and deferred tax assets)	25,467	-	326,673	16	352,156
Segment liabilities	3,962,480	-	125,335	73,570	4,161,385

Notes to the consolidated financial statements

5. Segment information (continued)

The segment information provided to the Director for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment Revenue from external customers	1,199,905	285,883	527,032	66	2,012,886
(Loss)/profit for the year	(1,028,841)	226,729	(175,933)	(930)	(978,975)
Finance costs	(1,271,619)	(43,028)	(192,940)	-	(1,507,587)
Share of results of joint ventures	89,873	-	-	-	89,873
Share of results of associates	(24,203)	-	-	-	(24,203)
Income tax credits/(expenses)	22,717	(75,556)	13,352	-	(39,487)
Depreciation and amortisation	(13,076)	(1,409)	(55,039)	(69)	(69,593)
Allowance for impairment losses of receivables	(1,294)	-	(25)	-	(1,319)
Fair value gains on investment properties - net of tax	-	68,366	-	-	68,366
Segment assets	17,801,575	4,994,525	3,238,554	151,030	26,185,684
Segment assets includes:					
Interests in joint ventures	1,677,809	-	-	-	1,677,809
Interests in associates	433,123	-	-	-	433,123
Additions to non-current assets (other than financial instruments and deferred tax assets)	123,053	-	-	83	123,136
Segment liabilities	2,937,504	-	150,160	39,523	3,127,187

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Director is measured in a manner consistent with that in the income statement.

The amounts provided to the Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred tax assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2015	2014
Segment assets for reportable segments	27,976,832	26,185,684
Deferred income tax assets	349,193	269,978
Total assets per balance sheet	28,326,025	26,455,662

The amounts provided to the Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015	2014
Segment liabilities for reportable segments	4,161,385	3,127,187
Deferred income tax liabilities	1,063,589	1,027,296
Current income tax liabilities	491,735	617,155
Current borrowings	13,015,240	1,833,360
Non-current borrowings	8,200,600	16,488,468
Total liabilities per balance sheet	26,932,549	23,093,466

Notes to the consolidated financial statements

5. Segment information (continued)

Entity-Wide information

Breakdown of revenue from all services is as follows:

Analysis of revenue by category	2015	2014
Sale of properties	515,789	1,199,905
Rental income	297,646	285,883
Hotel operations	558,520	527,032
All other segments	843	66
	<u>1,372,798</u>	<u>2,012,886</u>

Revenue from external customers by country, based on the destination of the customer:

	2015	2014
PRC	1,371,155	2,012,886
Other countries	1,643	-
Total	<u>1,372,798</u>	<u>2,012,886</u>

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues for the year ended 31 December 2015 (2014: Nil).

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2015	2014
PRC	9,934,033	9,178,106
Other countries	6,894	-
Total	<u>9,940,927</u>	<u>9,178,106</u>

Non-current assets in the individual countries included in "other countries" are not material.

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015	2014
At 1 January	385,044	397,334
Additions	38,817	-
Amortisation of prepaid operating lease payments	(12,419)	(12,290)
At 31 December	<u>411,442</u>	<u>385,044</u>

Land use rights are amortised in the following categories:

	2015	2014
Selling and administrative expenses	1,407	1,408
Cost of sales	7,852	7,437
Capitalised in property, plant and equipment	3,160	3,445
	<u>12,419</u>	<u>12,290</u>

Borrowings are secured on land use rights for the carrying amount of RMB255,852,000 (2014: RMB222,481,000).

Notes to the consolidated financial statements

7. Property, plant and equipment

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment	Assets under construction	Total
At 1 January 2014						
Cost	182,446	1,465,824	182,451	34,801	257,477	2,122,999
Accumulated depreciation	(35,048)	(261,288)	(153,587)	(27,548)	-	(477,471)
Net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Year ended 31 December 2014						
Opening net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Additions	-	-	6,364	8,399	107,178	121,941
Transfer from properties under development	-	889	-	-	-	889
Transfer to property under development	-	(18,653)	-	-	-	(18,653)
Disposals	-	-	(7,063)	-	-	(7,063)
Depreciation	(5,762)	(45,549)	(1,880)	(6,432)	-	(59,623)
Closing net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
At 31 December 2014						
Cost	182,446	1,448,060	181,018	43,200	364,655	2,219,379
Accumulated depreciation	(40,810)	(306,837)	(154,733)	(33,980)	-	(536,360)
Net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Year ended 31 December 2015						
Opening net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Additions	10,341	-	89,299	1,719	205,741	307,100
Transfer from assets under construction	-	570,396	-	-	(570,396)	-
Disposals	-	-	(717)	-	-	(717)
Depreciation	(5,777)	(45,180)	(6,154)	(3,102)	-	(60,213)
Currency translation differences	-	-	(393)	(484)	-	(877)
Closing net book amount	146,200	1,666,439	108,320	7,353	-	1,928,312
At 31 December 2015						
Cost	192,788	2,018,455	269,071	44,263	-	2,524,577
Accumulated depreciation	(46,588)	(352,016)	(160,751)	(36,910)	-	(596,265)
Net book amount	146,200	1,666,439	108,320	7,353	-	1,928,312

Depreciation expense has been charged in the following categories:

	2015	2014
Administrative expenses	10,429	11,316
Cost of sales	49,784	48,307
	<u>60,213</u>	<u>59,623</u>

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2015, no borrowing costs were capitalised in assets under construction (2014: RMB28,393,000).

Borrowings are secured by buildings with a carrying amount of RMB1,208,117,000 (2014: RMB1,141,223,000).

Notes to the consolidated financial statements

8. Investment properties

	2015	2014
	Completed properties	Completed properties
Opening balance at 1 January	4,994,525	4,903,370
Fair value gains	253,760	91,155
Closing balance at 31 December	<u>5,248,285</u>	<u>4,994,525</u>
Total gains for the year included in profit or loss under "other income and other gains - net"	<u>253,760</u>	<u>91,155</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of the year	<u>253,760</u>	<u>91,155</u>

(a) Amounts recognised in the consolidated income statement for investment properties:

	2015	2014
Rental income	297,646	285,883
Direct operating expenses arising from investment properties that generate rental income	(26,515)	(25,290)
Direct operating expenses that did not generate rental income	<u>(23,283)</u>	<u>(15,573)</u>

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2015 and 2014. The revaluation gains or losses are included in "other income and other gains - net".

As at 31 December 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2015 and 2014 by independent, professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Notes to the consolidated financial statements

8. Investment properties (continued)

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

There were no changes to the valuation techniques during the year.

(e) Information about fair value measurements using significant unobservable inputs (level 3) :

Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office		4,398,453	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	39,400-59,000	The higher the market price, the higher the fair value
Completed investment properties	Retail	558,236	Term and reversionary method	Term yields	6.50%	The higher the term yields, the lower the fair value
				Reversionary yields	6.50%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square metre/month)	168-279	The higher the market rents, the higher the fair value
	Carpark	291,596	Direct comparison method	Market price (RMB/square metre)	10,012	The higher the market price, the higher the fair value
Description		Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office		4,090,434	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	37,200-55,300	The higher the market price, the higher the fair value
Completed investment properties	Retail	557,484	Term and reversionary method	Term yields	6.50%-7.00%	The higher the term yields, the lower the fair value
				Reversionary yields	6.50%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square metre/month)	164 - 277	The higher the market rents, the higher the fair value
	Carpark	346,607	Direct comparison method	Market price (RMB/square metre)	10,012	The higher the market price, the higher the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

Notes to the consolidated financial statements

8. Investment properties (continued)

(f) Investment properties pledged as security

Borrowings are secured on investment properties for the value of RMB 4,870,117,000 (2014: Nil).

9. Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2015:

Company name	Date of incorporation / establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
广州圣景房地产开发有限公司 (“圣景”)	27 August 2007	Limited liability company	USD80,000,000	75%	Property development in the PRC
广州富力兴盛置业发展有限公司 (“兴盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of office buildings in the PRC
广州富力恒盛置业发展有限公司 (“恒盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
广州富力鼎盛置业发展有限公司 (“鼎盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
海南易通生态科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	100%	Property development in the PRC
杭州富力房地产开发有限公司	19 December 2012	Limited liability company	USD120,000,000	100%	Property development in the PRC
杭州极富房地产开发有限公司	27 February 2013	Limited liability company	USD75,000,000	100%	Property development in the PRC
杭州品富房地产开发有限公司	4 September 2013	Limited liability company	USD64,500,000	100%	Property development in the PRC
无锡极富房地产开发有限公司	16 December 2013	Limited liability company	USD300,000,000	100%	Property development in the PRC
重庆富力嘉盛房地产开发有限公司	28 January 2014	Limited liability company	RMB794,540,000	100%	Property development in the PRC
沈阳亿隆房屋开发有限公司	12 December 2001	Limited liability company	RMB20,000,000	100%	Property development in the PRC

Notes to the consolidated financial statements

9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2015: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the British Virgin Islands ("BVI")					
Value Success Investments Limited ("Value Success")	1 September 2006	Limited liability company	USD10,000	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	100%	Investment holding in BVI
Big Will Investments Limited	2 November 2007	Limited liability company	USD1	100%	Investment holding in BVI
Caifu Holdings Limited	2 January 2013	Limited liability company	USD1	100%	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	100%	Investment holding in BVI
Subsidiaries – incorporated in Malaysia:					
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	100%	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	100%	Property development in Malaysia

Notes to the consolidated financial statements

9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2015: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in Australia:					
R&F Development Holdings Pty Ltd.	30 May 2014	Limited liability company	AUD1	100%	Investment holdings in the Australia
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Estate Pty Ltd.	07 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	100%	Property development in Australia
Subsidiaries – incorporated in Singapore:					
R&F Development PTE LTD.	17 April 2014	Limited liability company	SGD1	100%	Marketing development in Singapore

(b) Material non-controlling interests

The accumulated non-controlling interests as at 31 December 2015 were RMB1,188,014,000 (2014: RMB1,181,897,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

On 15 October 2015, the Company acquired an additional 10% of the issued capital of certain Australian subsidiaries for an aggregate purchase consideration of AUD70. Upon completion of the acquisition, the Group wholly owned these Australian subsidiaries and recognised a decrease in equity attributable to owners of the company of RMB2,203,000.

Notes to the consolidated financial statements

10. Interests in joint ventures

	2015	2014
At 1 January	1,677,809	1,361,824
Additions	-	280,266
Acquisition of remaining interests in a joint venture	-	(54,154)
Share of results	174,383	89,873
At 31 December	1,852,192	1,677,809

As at 31 December 2015, the Group's interests in joint ventures, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2015 was RMB 174,383,000 (2014: RMB 89,873,000).

Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.

There were no other contingent liabilities relating to the Group's interests in joint ventures.

11. Interests in associates

	2015	2014
At 1 January	433,123	457,326
Additions (Note (a))	59,524	-
Share of results (Note (b))	(1,353)	(24,203)
At 31 December	491,294	433,123

(a) The Group acquired 15% equity interests in 海南怡丰房地产发展(香港)公司 and 海南协兴地产发展(香港)有限公司 respectively in 2015.

(b) As at 31 December 2015, the Group's interests in associates, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2015 was loss of RMB 1,353,000 (2014: loss of RMB 24,203,000).

There were no contingent liabilities relating to the Group's interests in associates.

12. Financial instrument by category

	2015	2014
Loans and receivables		
Trade and other receivables excluding prepayments	4,913,678	6,265,181
Cash and cash equivalents	1,134,037	1,906,679
Restricted cash	1,014,420	741,706
Time deposits	500,000	-
	7,562,135	8,913,566

	2015	2014
Other financial liabilities at amortised cost		
Borrowings(excluding finance lease liabilities)	21,215,840	18,321,828
Accruals and other payables excluding non-financial liabilities	2,017,096	2,459,293
	23,232,936	20,781,121

13. Properties under development

	2015	2014
Amount comprises:		
Land use rights	6,515,254	5,627,795
Construction costs and capitalised expenditures	1,812,932	980,375
Finance costs capitalised	837,008	413,665
	9,165,194	7,021,835

Notes to the consolidated financial statements

13. Properties under development (continued)

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 7.74% for 2015 (2014: 8.45%)

As at 31 December 2015, properties under development of RMB 2,929,725,000 (2014: RMB1,553,859,000) were pledged as collateral for the Group's borrowings.

14. Completed properties held for sale

	2015	2014
Amount comprises:		
Land use rights	213,250	188,348
Construction costs and capitalised expenditures	744,564	648,361
Finance costs capitalised	56,841	11,568
	1,014,655	848,277

15. Trade and other receivables and prepayments

	2015	2014
Trade receivables		
- Due from parent company	10,827	12,089
- Due from third parties	650,917	768,274
	661,744	780,363
Less: provision for impairment of trade receivables	(2,180)	-
Trade receivables – net (Note (a))	659,564	780,363
Other receivables (Note (b))	151,394	101,262
Prepayments (Note (d))	61,503	141,716
Due from joint ventures	170,330	189,524
Due from associates	-	10,000
Due from parent company	-	3,062,413
Due from fellow subsidiaries	3,936,945	2,124,966
Less: allowance for impairment of other receivables	(4,555)	(3,347)
Total	4,975,181	6,406,897
Less: non-current portion	-	(1,892)
Current portion	4,975,181	6,405,005

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2015	2014
0 to 90 days	95,463	186,451
91 to 180 days	3,939	-
181 to 365 days	33,631	543,215
1 year to 2 years	485,732	6,200
Over 2 years	42,979	44,497
	661,744	780,363

Notes to the consolidated financial statements

15. Trade and other receivables and prepayments (continued)

(a) Trade receivables (continued)

Trade receivables are analysed as follows:

	2015	2014
Fully performing under credit terms	155,400	758,930
Past due but not impaired	504,164	21,433
Non-performing and impaired	2,180	-
	<u>661,744</u>	<u>780,363</u>
Less: provision for impairment	(2,180)	-
Trade receivables – net	<u>659,564</u>	<u>780,363</u>

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title of the underlying properties for re-sales. Therefore, the Director considers that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2015 (2014: Nil). The ageing analysis of these trade receivables is as follows:

	2015	2014
1 year to 2 years	485,731	-
Over 2 years	18,433	21,433
	<u>504,164</u>	<u>21,433</u>

As at 31 December 2015, trade receivables of RMB2,180,000 (2014: Nil) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2015	2014
Over 2 years	<u>2,180</u>	<u>-</u>

(b) Other receivables

Other receivables are analysed as follows:

	2015	2014
Fully performing under normal business	146,839	97,915
Non-performing and impaired	4,555	3,347
Other receivables	<u>151,394</u>	<u>101,262</u>
Less: allowance for impairment	(4,555)	(3,347)
Other receivables – net	<u>146,839</u>	<u>97,915</u>

Movements on the allowance for impairment of other receivables are as follows:

	2015	2014
At 1 January	3,347	2,028
Allowance for doubtful debts	<u>1,208</u>	<u>1,319</u>
At 31 December	<u>4,555</u>	<u>3,347</u>

(c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(d) Prepayments are mainly for acquisitions of land use rights.

(e) The carrying amounts of the Group's trade and other receivables, including amounts due from related parties, are denominated in the following currencies:

	2015	2014
RMB	4,904,838	6,251,713
AUD	8,011	7
MYR	687	13,318
SGD	142	143
	<u>4,913,678</u>	<u>6,265,181</u>

Notes to the consolidated financial statements

16. Restricted cash

	2015	2014
Guarantee deposits for construction of pre-sold properties (Note (a))	370,917	191,503
Guarantee deposits for interests of senior notes (Note(b))	583,515	549,831
Guarantee deposits for construction payables (Note (c))	10,691	-
Guarantee deposits for borrowings (Note (d))	7,605	-
Others(Note (e))	41,692	372
	1,014,420	741,706

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

(e) Others mainly include guarantee deposits for letter of credit and deposits for capital account. The use of deposits for capital account is restricted to payment of land use rights and construction costs.

The restricted cash is denominated in the following currencies:

	2015	2014
RMB	387,623	191,875
USD	620,343	549,831
AUD	4,492	-
MYR	1,962	-
	1,014,420	741,706

The Director of the Group is of the view that the restricted cash listed above will be released within one year.

17. Time deposits

As at 31 December 2015, the initial terms of the Group's time deposits were six months. These time deposits are denominated in RMB.

18. Cash and cash equivalents

	2015	2014
Cash at bank and on hand	936,979	1,906,679
Short-term bank deposits	197,058	-
	1,134,037	1,906,679

Notes to the consolidated financial statements

18. Cash and cash equivalents (continued)

	2015	2014
Denominated in:		
— RMB	1,047,934	1,509,569
— USD	5,863	340,192
— MYR	26,092	41,033
— AUD	11,918	9,393
— HKD	41,811	6,216
— SGD	419	276
	1,134,037	1,906,679

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

19. Share capital

	Number of shares (thousands)	Share capital
At 31 December 2015 and 2014	10	10

At 31 December 2015 and 2014, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

20. Accruals and other payables

	2015	2014
Amounts due to joint ventures (Notes (a))	364,823	618,398
Amounts due to associates (Notes (a))	61,754	61,749
Amounts due to parent company (Notes (a))	44,746	0
Amounts due to fellow subsidiaries (Notes (a))	204,393	272,830
Construction payables (Note (b))	669,185	873,595
Other payables and accrued charges (Note (c))	737,405	685,361
	2,082,306	2,511,933

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other tax payables excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair value.

Notes to the consolidated financial statements

21. Borrowings

	2015	2014
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	7,738,960	3,634,120
- Unsecured	700,000	-
	<u>8,438,960</u>	<u>3,634,120</u>
Senior notes (Note (b))		
- Secured	<u>12,776,880</u>	<u>11,987,708</u>
Other borrowing (Note (c))		
- Unsecured	<u>-</u>	<u>1,000,000</u>
Less: current portion of long-term borrowings	<u>(13,015,240)</u>	<u>(133,360)</u>
	<u>8,200,600</u>	<u>16,488,468</u>
Current		
Other borrowing		
- Unsecured (Note (c))	<u>-</u>	<u>1,700,000</u>
Current portion of long-term borrowings	<u>13,015,240</u>	<u>133,360</u>
Total borrowings	<u>21,215,840</u>	<u>18,321,828</u>

(a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2015	2014
At 1 January	3,634,120	5,173,069
Additions	5,210,000	2,294,427
Repayments	(405,160)	(3,887,322)
Amortisation of transaction costs	-	53,946
At 31 December	<u>8,438,960</u>	<u>3,634,120</u>

(ii) At 31 December 2015, bank borrowings totaling RMB 7,738,960,000 (2014: RMB 3,634,120,000) were secured by the following:

	2015	2014
Secured by the Group		
- Land use rights	255,852	222,481
- Property, plant and equipment	1,208,117	1,141,223
- Investment properties	4,870,117	-
- Properties under development	<u>2,929,725</u>	<u>1,553,859</u>
	<u>9,263,811</u>	<u>2,917,563</u>

(iii) The maturity of bank borrowings is as follows:

	2015	2014
Within 1 year	238,360	133,360
Between 1 and 2 years	1,013,360	83,360
Between 2 and 5 years	1,474,080	980,080
Over 5 years	<u>5,713,160</u>	<u>2,437,320</u>
Total bank borrowings	<u>8,438,960</u>	<u>3,634,120</u>

Notes to the consolidated financial statements

21. Borrowings (continued)

(a) Bank borrowings (continued)

(iv) The carrying amounts of bank borrowings as at 31 December 2015 and 2014 are denominated in RMB.

(v) The effective interest rates of borrowings are as follows:

	2015	2014
RMB bank borrowings	6.32%	6.17%

(vi) The carrying amounts of bank borrowings approximate their fair values.

(b) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

(ii) 2012 Notes

On 29 August 2012, Bill Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at any time before the maturity date.

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at face value (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2014: 7.70% to 12.25%).

Notes to the consolidated financial statements

21. Borrowings (continued)

(b) Senior notes (continued)

(iv) 2014 Notes (continued)

The movements of senior notes are set out below:

	2015	2014
At 1 January	11,987,708	8,521,961
Issuance of the 2014 Notes	-	5,991,541
Redemption of the 2011 Notes	-	(2,612,000)
Interest charged	1,178,648	1,198,121
Interest included in other payables	(1,131,935)	(1,151,817)
Exchange losses	742,459	39,902
At 31 December	12,776,880	11,987,708

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2015 amounted to RMB13,252,554,000 (31 December 2014: RMB11,704,025,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2015 and is within level 1 of the fair value hierarchy.

(c) Other borrowings

The effective interest rate of other borrowings ranged from 6.91% to 7.4% (2014: 7.40% to 12.65%).

The movements of other borrowings are set out below:

	2015	2014
At 1 January	2,700,000	1,000,000
Additions	1,000,000	1,700,000
Repayments	(3,700,000)	-
Interest charged	112,887	136,384
Interest included in other payables	(112,887)	(136,384)
At 31 December	-	2,700,000

The carrying amounts of other borrowings as at 31 December 2015 and 2014 are denominated in RMB.

The carrying amounts of other borrowings approximate their fair values.

22. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets:		
- To be recovered after 12 months	292,498	245,086
- To be recovered within 12 months	56,695	24,892
	349,193	269,978
	2015	2014
Deferred tax liabilities:		
- To be recovered after 12 months	(1,023,716)	(937,217)
- To be recovered within 12 months	(39,873)	(90,079)
	(1,063,589)	(1,027,296)
Deferred tax liabilities – net	(714,396)	(757,318)

Notes to the consolidated financial statements

22. Deferred income tax (continued)

The gross movements on the deferred income tax account are as follows:

	2015	2014
At 1 January	(757,318)	(759,768)
Income statement credits	45,439	2,450
Currency translation differences	(2,517)	-
At 31 December	(714,396)	(757,318)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Interest capitalisation and others	Total
At 1 January 2014	58,416	991,459	-	1,049,875
Charged to the income statement	31,663	30,094	5,746	67,503
At 31 December 2014	90,079	1,021,553	5,746	1,117,378
(Credited)/charged to the income statement	(50,206)	41,849	11,674	3,317
At 31 December 2015	39,873	1,063,402	17,420	1,120,695

Deferred tax assets:

	Accruals	Tax losses	Others	Total
At 1 January 2014	213,877	71,849	4,381	290,107
(Charged)/credited to the income statement	(57,510)	129,628	(2,165)	69,953
At 31 December 2014	156,367	201,477	2,216	360,060
Credited to the income statement	25,218	22,538	1,000	48,756
Currency translation differences	-	(2,517)	-	(2,517)
At 31 December 2015	181,585	221,498	3,216	406,299

As at 31 December 2015, deferred income tax assets of RMB 57,106,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2014: RMB 90,082,000).

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

23. Current income tax liabilities

	2015	2014
Land appreciation tax liabilities	475,511	535,047
Income tax liabilities	16,224	82,108
	491,735	617,155

24. Other income and other gains - net

	2015	2014
Fair value gain on investment properties - net	253,760	91,155
Other operating income	15,844	7,019
(Losses)/gains on disposals of property, plant and equipment	(3)	9,772
Interest income	12,145	50,979
Others	1	-
	281,747	158,925

Notes to the consolidated financial statements

25. Expenses by nature

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2015	2014
Cost of completed properties sold	589,485	770,838
Hotel management fees	368,734	356,147
Business taxes and other levies	142,636	175,783
Depreciation	60,213	59,623
Employee benefit expenses	136,185	109,627
Advertising costs	31,423	49,088
Amortisation of land use rights and intangible assets	10,681	9,970
Office expenses	10,025	12,263
Allowance for doubtful debts	3,388	1,319
Auditors' remuneration	707	607
— Audit services	594	528
— Non-audit services	113	79
Others	131,214	124,117
	1,484,691	1,669,382

26. Employee benefit expenses

	2015	2014
Wages and salaries	115,770	92,084
Retirement scheme contributions	10,111	6,716
Other allowances and benefits	10,304	10,827
	136,185	109,627

27. Finance costs

	2015	2014
Interest on bank borrowings	424,559	374,350
Interest on senior notes	1,178,648	1,198,121
Interest on other borrowings	112,887	136,384
	1,716,094	1,708,855
Net foreign exchange losses	1,236,922	289,888
Less: finance costs capitalised	(525,130)	(491,156)
	2,427,886	1,507,587

28. Income tax (credits)/expenses

	2015	2014
Current income tax		
— PRC enterprise income tax (Note (b))	9,970	55,221
Deferred income tax	(45,439)	(2,450)
	(35,469)	52,771
Current PRC land appreciation tax (Note (c))	(56,640)	(13,284)
Total income tax (credits)/expenses (Note (d))	(92,109)	39,487

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2014: Nil).

Notes to the consolidated financial statements

28. Income tax (credits)/expenses (continued)

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2015, the applicable income tax rate for the profits generated was primarily 25% (2014: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2015	2014
Loss before income tax	(2,085,002)	(939,488)
Less: Land appreciation tax	56,640	13,284
	<u>(2,028,362)</u>	<u>(926,204)</u>
Calculated at tax rate of 25% (2014: 25%)	(507,091)	(231,551)
Effects of:		
- Different income tax rates of certain companies	(10,449)	(4,478)
- Share of results of joint ventures and associates	(43,258)	(16,418)
- Expenses and development costs not deductible for tax purposes	522,359	284,058
- Others	2,970	21,160
PRC enterprise income tax	<u>(35,469)</u>	<u>52,771</u>
Land appreciation tax	<u>(56,640)</u>	<u>(13,284)</u>
Income tax (credits)/expenses	<u>(92,109)</u>	<u>39,487</u>

29. Cash used in operations

	2015	2014
Loss for the year	(1,992,893)	(978,975)
Adjustments for:		
- Tax	(92,109)	39,487
- Interest income	(12,145)	(50,979)
- Finance costs	2,427,886	1,507,587
- Depreciation	60,213	59,623
- Amortisation of land use rights and intangible assets	10,681	9,970
- Losses/(gains) on disposals of property, plant and equipment	3	(9,772)
- Allowance for doubtful debts	3,388	1,319
- Share of results of joint ventures	(174,383)	(89,873)
- Share of results of associates	1,353	24,203
- Fair value gains on investment properties - net	(253,760)	(91,155)
Operating profit before changes in working capital	<u>(21,766)</u>	<u>421,435</u>
Changes in working capital:		
- Properties under development and completed properties held for sale	(1,785,511)	(5,324,191)
- Trade receivables	118,619	35,346
- Other receivables, deposits and prepayments	30,081	277,819
- Restricted cash	(231,425)	206,330
- Deposits received on sale of properties	1,463,825	323,857
- Accruals and other payables	(263,767)	182,986
Net cash and cash equivalents used in operations	<u>(689,944)</u>	<u>(3,876,418)</u>

Notes to the consolidated financial statements

30. Financial guarantee contracts

The face values of the financial guarantees issued by the Group as at 31 December 2015 and 2014 are analysed as follows:

	2015	2014
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	2,439,760	1,637,217
Guarantees in respect of borrowings of a joint venture (Note (b))	437,283	574,232
	<u>2,877,043</u>	<u>2,211,449</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The Director considers that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for the joint venture for its borrowings.

31. Commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
Contracted but not provided for:		
Properties development activities	507,859	583,155
Acquisition of land use rights	5,399,265	6,670,301
	<u>5,907,124</u>	<u>7,253,456</u>

32. Future minimum rental payments receivable

The future aggregate minimum lease rental receivables under non-cancellable operating leases are as follows:

	2015	2014
Not later than one year	170,330	209,100
Later than one year and not later than five years	118,307	174,888
Later than five years	1,166	4,990
	<u>289,803</u>	<u>388,978</u>

33. Significant related-party transactions

Guangzhou R&F is the parent company of the Company, which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who owns 33.52% and 32.02%, respectively, of GZ R&F's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

i) Provision of lease of properties

	2015	2014
Common shareholders:		
广州金贝壳投资有限公司	878	1,333
A joint venture:		
广州市富景房地产开发有限公司	41	87
Parent company:		
GZ R&F	68,572	52,584

ii) Purchase of installation services

	2015	2014
Controlled by an immediate family member of the major shareholder of GZ R&F:		
广州恒量机电工程有限公司	1,071	580

iii) Purchase of construction services

	2015	2014
Fellow subsidiaries:		
广州天力建筑工程有限公司	334,069	53,226
广东恒力建设工程有限公司	41,290	117,834
	375,359	171,060

iv) Purchase of property management services

	2015	2014
Fellow subsidiary:		
广州天力物业发展有限公司	742	1,612

v) Provision of hotel services

	2015	2014
Parent company:		
GZ R&F	4,482	18,533

vi) Borrowings guaranteed by related parties

As at 31 December 2015, the Group's borrowings of RMB 8,188,960,000 was guaranteed by GZ R&F (2014: RMB2,700,000,000).

vii) Borrowings of related parties guaranteed by the Group

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint venture for project development purpose. As at 31 December 2015, the Group's guarantees for borrowings provided to its joint venture are shown as follows:

	2015	2014
Joint venture:		
Charm Talent Limited	424,136	528,261

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

viii) Balances with related parties

As at 31 December 2015, the Group had the following significant balances with related parties:

	2015	2014
Due from:		
Parent company:		
- Trade balance		
GZ R&F	10,827	12,089
- Non-trade balance		
GZ R&F	-	3,062,413
Fellow subsidiaries:		
- Non-trade balances		
广州富力超盛置业发展有限公司	906,746	205,946
无锡天润福源房地产开发有限公司	717,200	-
杭州联富房地产开发有限公司	662,000	331,951
广州富力嘉盛置业发展有限公司	559,640	4,872
海南富力房地产开发有限公司	387,938	398,399
广州德和投资发展有限公司	176,381	176,381
杭州瑞富房地产开发有限公司	142,000	279,556
北京富力城房地产开发有限公司	119,986	669,986
湖州联富房地产开发有限公司	86,800	-
广州市富景房地产开发有限公司	76,202	-
重庆富力房地产开发有限公司	54,600	-
广州富力创盛置业发展有限公司	32,672	38,500
北京恒富物业服务服务有限公司沈阳分公司	11,163	10,758
湖州富力房地产开发有限公司	2,000	-
广州天力物业发展有限公司杭州分公司	1,000	-
广州市住宅建筑设计院有限公司	567	567
广州市东园房地产开发有限公司	50	50
广州富力足球俱乐部有限公司	-	8,000
	3,936,945	2,124,966
Due from:		
Associates:		
- Non-trade balances		
海南怡丰房地产发展(香港)公司	-	7,000
海南协兴地产发展(香港)有限公司	-	3,000
	-	10,000
Joint ventures:		
- Non-trade balances		
Hines Shanghai	170,330	155,346
和荣有限公司	-	34,178
	170,330	189,524
	4,118,102	5,398,992

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

viii) Balances with related parties (continued)

	2015	2014
Due to:		
Parent company:		
- Non-trade balances		
GZ R&F	44,746	-
Fellow subsidiaries:		
- Non-trade balances		
富力(北京)地产开发有限公司	140,000	140,000
海南陵水富力湾开发有限公司	31,927	-
海南那甲旅业开发有限公司	17,083	-
天津富力城房地产开发有限公司	14,832	14,832
广州富力智盛置业发展有限公司	546	546
广州市吉浩源房地产开发有限公司	5	5
无锡天润福源房地产开发有限公司	-	63,800
重庆富力房地产开发有限公司	-	49,433
西安保德信房地产开发有限公司	-	714
广州市金鼎房地产开发有限公司	-	3,500
	204,393	272,830
Associates:		
- Non-trade balances		
海南怡丰房地产发展(香港)公司	44,749	44,749
海南协兴地产发展(香港)有限公司	17,005	17,000
	61,754	61,749
Joint ventures:		
- Non-trade balances		
和荣有限公司	133,370	425,802
富力(沈阳)房地产开发有限公司	231,453	192,596
	364,823	618,398
	675,716	952,977

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled based on the respective contractual terms.



羅兵咸永道

Report on review of consolidated financial statements

To the Board of Director of R&F Properties (HK) Company Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the consolidated financial statements set out on pages 2 to 50, which comprise the consolidated balance sheet of R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2014 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

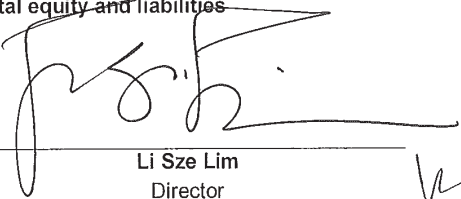
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2015

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated balance sheet

ASSETS	Note	As at 31 December	
		2014	2013
Non-current assets			
Land use rights	6	385,044	397,334
Property, plant and equipment	7	1,683,019	1,645,528
Investment properties	8	4,994,525	4,903,370
Intangible assets		4,586	4,515
Interests in joint ventures	10	1,677,809	1,361,824
Interests in associates	11	433,123	457,326
Deferred income tax assets	23	269,978	290,107
Trade and other receivables and prepayments	15	1,892	1,393
		<u>9,449,976</u>	<u>9,061,397</u>
Current assets			
Properties under development	12	7,021,835	1,813,850
Completed properties held for sale	13	848,277	247,483
Inventories	14	7,586	8,202
Trade and other receivables and prepayments	15	6,405,005	8,192,481
Tax prepayments	22	74,598	28,328
Restricted cash	16	741,706	1,780,530
Cash and cash equivalents	17	1,906,679	2,433,324
		<u>17,005,686</u>	<u>14,504,198</u>
Total assets		<u>26,455,662</u>	<u>23,565,595</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	10	10
Other reserve		5,810	-
Retained earnings	19	2,174,479	3,129,820
		<u>2,180,299</u>	<u>3,129,830</u>
Non-controlling interests		<u>1,181,897</u>	<u>1,205,524</u>
Total equity		<u>3,362,196</u>	<u>4,335,354</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	21	16,488,468	10,174,178
Deferred income tax liabilities	23	1,027,296	1,049,875
		<u>17,515,764</u>	<u>11,224,053</u>
Current liabilities			
Accruals and other payables	20	2,511,933	1,818,526
Deposits received on sale of properties		615,254	291,397
Current income tax liabilities	24	617,155	1,375,413
Short-term borrowings	21	1,700,000	914,535
Current portion of long-term borrowings	21	133,360	3,606,317
		<u>5,577,702</u>	<u>8,006,188</u>
Total liabilities		<u>23,093,466</u>	<u>19,230,241</u>
Total equity and liabilities		<u>26,455,662</u>	<u>23,565,595</u>


Li Sze Lim
Director

The notes on pages 7 to 50 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated income statement

	Note	Year ended 31 December	
		2014	2013
Revenue	5	2,012,886	5,627,207
Cost of sales	26	(1,281,042)	(2,607,894)
Gross profit		731,844	3,019,313
Other gains – net	25	151,906	996,285
Selling and marketing costs	26	(97,334)	(59,210)
Administrative expenses	26	(291,006)	(179,380)
Other income/(expenses)		7,019	(1,530)
Operating profit		502,429	3,775,478
Finance costs	28	(1,507,587)	(940,917)
Share of results of joint ventures	10	89,873	37,812
Share of results of associates	11	(24,203)	34,708
(Loss)/profit before income tax		(939,488)	2,907,081
Income tax expenses	29	(39,487)	(1,507,808)
(Loss)/profit for the year		(978,975)	1,399,273
(Loss)/profit attributable to:			
– Owners of the Company		(955,341)	877,943
– Non-controlling interests		(23,634)	521,330
		(978,975)	1,399,273

The notes on pages 7 to 50 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2014	2013
(Loss)/profit for the year	(978,975)	1,399,273
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
– Currency translation differences	5,817	-
Other comprehensive income for the year	5,817	-
Total comprehensive income for the year	(973,158)	1,399,273
Total comprehensive income for the year attributable to:		
– Owners of the Company	(949,531)	877,943
– Non-controlling interests	(23,627)	521,330
	(973,158)	1,399,273

The notes on pages 7 to 50 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to owners of the Company			Total	Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings			
Balance at 1 January 2013	10	-	2,251,877	2,251,887	684,194	2,936,081
Total comprehensive income	-	-	877,943	877,943	521,330	1,399,273
Balance at 31 December 2013	10	-	3,129,820	3,129,830	1,205,524	4,335,354
Balance at 1 January 2014	10	-	3,129,820	3,129,830	1,205,524	4,335,354
Total comprehensive income	-	5,810	(955,341)	(949,531)	(23,627)	(973,158)
Balance at 31 December 2014	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196

The notes on pages 7 to 50 are an integral part of these financial statements.

Consolidated statement of cash flows

		Year ended 31 December	
	Note	2014	2013
Cash flows from operating activities			
Cash used in operations	30	(3,876,418)	(577,386)
Interest paid		(1,660,865)	(1,069,520)
Enterprise income tax and land appreciation tax paid		(836,250)	(130,967)
Net cash used in operating activities		(6,373,533)	(1,777,873)
Cash flows from investing activities			
Purchases of property, plant and equipment		(93,548)	(102,481)
Purchases of intangible assets		(1,195)	-
Proceeds on disposals of property, plant and equipment		16,835	18
Investment in a joint venture		(280,266)	-
Proceeds on disposals of interests in a joint venture		54,154	-
Cash repayments from/(advances to) related parties		1,751,525	(1,885,779)
Interest received		50,979	48,896
Net cash generated from/(used in) investing activities		1,498,484	(1,939,346)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		9,985,968	6,522,566
Repayments of borrowings		(6,499,322)	(1,266,572)
Decrease in guarantee deposits for borrowings		832,494	8,576
Net cash generated from financing activities		4,319,140	5,264,570
Net increase in cash and cash equivalents			
Exchange gains/(losses) on cash and cash equivalents		(555,909)	1,547,351
Cash and cash equivalents at beginning of year		29,264	(70,649)
Cash and cash equivalents at beginning of year		2,433,324	956,622
Cash and cash equivalents at end of year	17	1,906,679	2,433,324

The notes on pages 7 to 50 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company was established in Hong Kong on 25 August 2005 as a company with limited liability.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Principal subsidiaries of the Group are listed in Note 9.

These consolidated financial statements are presented in RMB Yuan thousands (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director (the "Board") on 29 April 2015.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) New and amended standards and interpretation adopted by the Group

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2014.

<u>Standards/Interpretation</u>	<u>Subject of amendment</u>
Amendment to HKAS 32	Offsetting financial assets and financial liabilities
Amendment to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for investment entities
Amendment to HKAS 36	Impairment of assets' on recoverable amount disclosures
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement' - 'Novation of derivatives
HK (IFRIC) - Int 21	Levies

The adoption of new and amended standards and interpretation has no material impact on the Group's financial statements except for disclosure.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods commencing after 1 January 2014, and have not been applied in preparing the Group's financial statements.

<u>Standards</u>	<u>Subject of amendment</u>	<u>Effective for annual periods beginning on or after</u>
Amendment to HKAS19	Defined benefit plans: employee contributions	1 July 2014
Annual improvements 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions— that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Joint arrangement

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.4 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director who makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other gains – net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Buildings comprise mainly office premises and hotel buildings. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings	20-30 years
- Furniture, fixtures and equipment	3-5 years
- Transportation equipment	4-15 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains – net' in the income statement.

Assets under construction represent property, plant and equipment under construction and pending installation and are stated at cost less accumulated impairment losses, if any. Cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on construction in progress. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains – net".

2.9 Intangible assets

The Group's intangible assets comprise computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group's financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "cash and cash equivalents" and "restricted cash" in the balance sheet.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 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.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

Assets carried at amortised cost:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.15 Land use rights

All land in the PRC is stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of lands or land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

2.17 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to management estimates based on prevailing market conditions less estimated costs to be incurred in selling the property.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.18 Inventories

Inventories principally comprise materials held for hotel operations, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties and provision of hotel service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.26 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,250. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for property sold, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of properties

Revenue from sale of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the properties has been completed and the properties have been ready for delivery to the purchasers pursuant to the sale agreements, and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets as deposits received on sale of properties under current liabilities.

(b) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the services are rendered.

(d) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.29 Leases (continued)

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require 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. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC with most of the transactions denominated in RMB, except for certain cash and cash equivalents and restricted cash denominated in HK dollars ("HKD"), US dollars ("USD"), Malaysia dollars ("MYR") Australian dollars ("AUD") and Singapore dollars ("SGD"), certain borrowings denominated in USD, payables denominated in HKD, MYR, AUD and SGD, and receivables denominated in MYR and SGD. The Group has not hedged its foreign exchange rate risk. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 1% strengthen by 1% impact on post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	47	(47)
Accruals and other payables	(3,194)	3,194
Denominated in USD		
Cash and cash equivalents	2,551	(2,551)
Restricted cash	4,124	(4,124)
Borrowings	(89,908)	89,908
Denominated in MYR		
Cash and cash equivalents	308	(308)
Trade and other receivables	100	(100)
Accruals and other payables	(131)	131
Denominated in AUD		
Cash and cash equivalents	70	(70)
Accruals and other payables	(100)	100
Denominated in SGD		
Cash and cash equivalents	2	(2)
Trade and other receivables	1	(1)
Accruals and other payables	(30)	30

The table below summarises the impact of changes in foreign exchange rate at 31 December 2013 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 1% strengthen by 1% impact on post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	300	(300)
Restricted cash	171	(171)
Accruals and other payables	(4,475)	4,475
Denominated in USD		
Cash and cash equivalents	14,990	(14,990)
Restricted cash	2,165	(2,165)
Borrowings	(51,226)	51,226
Denominated in MYR		
Cash and cash equivalents	50	(50)

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	Impact on post-tax profit for the year	
Long-term borrowings at variable rates	(8,662)	8,662

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables except for prepayments. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with an appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2014, one customer accounted for more than 5% of the Group's trade receivables (31 December 2013: four).

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantees to its joint ventures and an associate for their borrowings.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalent, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposal of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2014					
Borrowings(Note (1))	4,302,584	3,790,529	10,287,340	7,932,599	26,313,052
Financial liabilities as included in accruals and other payables	2,459,293	-	-	-	2,459,293
Guarantees in respect of borrowings of joint ventures	29,102	545,130	-	-	574,232
At 31 December 2013					
Borrowings(Note (1))	5,440,469	922,275	4,798,359	7,161,571	18,322,674
Financial liabilities as included in accruals and other payables	1,730,971	-	-	-	1,730,971
Guarantees in respect of borrowings of joint ventures	331,478	23,863	541,537	-	896,878

Note:

(1) Interest on borrowings is calculated on borrowings held as at 31 December 2014 and 2013. Floating-rate interest is estimated using the current interest rate as at 31 December 2014 and 2013 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

As at 31 December 2014, the Group's working capital was mainly financed by bank borrowings and senior notes.

3.3 Fair value estimation

The Group's financial instruments recognised in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

See Note 8 for disclosures of the investment properties that are measured at fair value.

4. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes to the consolidated financial statements

4. Critical accounting estimates and judgements (continued)

(a) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expenses of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgements and assumptions have been disclosed in Note 8.

(d) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties underdevelopment, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

Notes to the consolidated financial statements

5. Segment information

The chief operating decision-maker has been identified as the Director. The Director reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Director considers the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations.

The Director assesses the performance of the operating segments based on a measure of profit for the year. The information provided to the Director is measured in a manner consistent with that in the financial statements.

The segment information provided to the Director for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue from external customers	1,199,905	285,883	527,032	66	2,012,886
(Loss)/profit for the year	(1,028,841)	226,729	(175,933)	(930)	(978,975)
Fair value gain on investment properties - net of tax	-	68,366	-	-	68,366
Finance costs	(1,271,619)	(43,028)	(192,940)	-	(1,507,587)
Share of results of joint ventures	89,873	-	-	-	89,873
Share of results of associates	(24,203)	-	-	-	(24,203)
Income tax expenses	22,717	(75,556)	13,352	-	(39,487)
Depreciation and amortisation	(13,076)	(1,409)	(55,039)	(69)	(69,593)
Allowance for impairment losses	(1,294)	-	(25)	-	(1,319)
Segment assets	17,801,575	4,994,525	3,238,554	151,030	26,185,684
Segment assets includes:					
Interests in joint ventures	1,677,809	-	-	-	1,677,809
Interests in associates	433,123	-	-	-	433,123
Additions to non-current assets (other than financial instruments and deferred tax assets)	123,053	-	-	83	123,136
Segment liabilities	2,937,504	-	150,160	39,523	3,127,187

Notes to the consolidated financial statements

5. Segment information (continued)

The segment information provided to the Director for the reportable segments for the year ended 31 December 2013 and the segment assets and liabilities at 31 December 2013 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment Revenue from external customers	4,828,984	244,732	553,491	-	5,627,207
Profit/(loss) for the year	684,027	780,129	(64,883)	-	1,399,273
Fair value gain on investment properties - net of tax	-	710,613	-	-	710,613
Finance costs	(696,128)	(106,966)	(137,823)	-	(940,917)
Share of results of joint ventures	37,812	-	-	-	37,812
Share of results of associates	34,708	-	-	-	34,708
Income tax expenses	(1,246,588)	(260,030)	(1,190)	-	(1,507,808)
Depreciation and amortisation	(9,329)	-	(67,976)	-	(77,305)
Allowance for impairment losses	(291)	-	(141)	-	(432)
Segment assets	15,933,117	4,903,370	2,439,001	-	23,275,488
Segment assets includes:					
Interests in joint ventures	1,361,824	-	-	-	1,361,824
Interests in associates	457,326	-	-	-	457,326
Additions to non-current assets (other than financial instruments and deferred tax assets)	102,781	-	8,804	-	111,585
Segment liabilities	1,952,866	-	157,057	-	2,109,923

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Director is measured in a manner consistent with that in the income statement.

Breakdown of revenue from all services is analysed as follows:

	2014	2013
Sale of properties	1,199,905	4,828,984
Rental income	285,883	244,732
Hotel operations	527,032	553,491
All other segments	66	-
	2,012,886	5,627,207

The amounts provided to the Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred tax assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2014	2013
Segment assets for reportable segments	26,185,684	23,275,488
Deferred income tax assets	269,978	290,107
Total assets per balance sheet	26,455,662	23,565,595

The amounts provided to the Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Notes to the consolidated financial statements

5. Segment information (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2014	2013
Segment liabilities for reportable segments	3,127,187	2,109,923
Deferred income tax liabilities	1,027,296	1,049,875
Current income tax liabilities	617,155	1,375,413
Current borrowings	1,833,360	4,520,852
Non-current borrowings	16,488,468	10,174,178
Total liabilities per balance sheet	23,093,466	19,230,241

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2014	2013
Outside Hong Kong in the PRC, held on leases of: Between 10 and 50 years	385,044	397,334

	2014	2013
Opening balance at 1 January	397,334	403,995
Transfer from properties under development	-	5,643
Amortisation of prepaid operating lease payment	(12,290)	(12,304)
Closing balance at 31 December	385,044	397,334

Land use rights are amortised in the following categories:

	2014	2013
Selling and administrative expenses	1,408	1,408
Cost of sales	7,437	7,437
Capitalised in property, plant and equipment	3,445	3,459
	12,290	12,304

Land use rights pledged as collateral are as follows:

	2014	2013
Land use rights (Note 21)	222,481	273,536

Notes to the consolidated financial statements

7. Property, plant and equipment

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment	Assets under construction	Total
At 1 January 2013						
Cost	182,446	1,465,550	173,188	34,266	161,983	2,017,433
Accumulated depreciation	(29,279)	(215,563)	(140,277)	(25,431)	-	(410,550)
Net book amount	153,167	1,249,987	32,911	8,835	161,983	1,606,883
Year ended 31 December 2013						
Opening net book amount	153,167	1,249,987	32,911	8,835	161,983	1,606,883
Additions	-	-	9,540	908	95,494	105,942
Transfer from properties under development	-	274	-	-	-	274
Disposals	-	-	(14)	(103)	-	(117)
Depreciation (Notes 26 and 30)	(5,769)	(45,725)	(13,573)	(2,387)	-	(67,454)
Closing net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
At 31 December 2013						
Cost	182,446	1,465,824	182,451	34,801	257,477	2,122,999
Accumulated depreciation	(35,048)	(261,288)	(153,587)	(27,548)	-	(477,471)
Net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Year ended 31 December 2014						
Opening net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Additions	-	-	6,364	8,399	107,178	121,941
Transfer from properties under development	-	889	-	-	-	889
Transfer to property under development	-	(18,653)	-	-	-	(18,653)
Disposals	-	-	(7,063)	-	-	(7,063)
Depreciation (Notes 26 and 30)	(5,762)	(45,549)	(1,880)	(6,432)	-	(59,623)
Closing net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
At 31 December 2014						
Cost	182,446	1,448,060	181,018	43,200	364,655	2,219,379
Accumulated depreciation	(40,810)	(306,837)	(154,733)	(33,980)	-	(536,360)
Net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019

Bank borrowings are secured on buildings for the value of RMB 1,141,223,000 (2013: RMB1,560,020,000) for the Group (Note 21).

Assets under construction mainly represent costs incurred for the construction of hotel buildings. For the year ended 31 December 2014, borrowing costs capitalised in assets under construction amounted to RMB 28,393,000 (2013: RMB11,847,000). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 6.14% for the year ended 31 December 2014 (2013: 6.22%).

Depreciation was expensed in the following categories in the consolidated income statement:

	2014	2013
Selling and administrative expenses	11,316	6,686
Cost of sales	48,307	60,768
	<u>59,623</u>	<u>67,454</u>

Notes to the consolidated financial statements

8. Investment properties

	2014	2013
	Completed properties	Completed properties
Opening balance at 1 January	4,903,370	3,955,886
Fair value gain – net (including in other gains – net) (Notes 25 and 30)	91,155	947,484
Closing balance at 31 December	4,994,525	4,903,370
Total gains for the year included in profit or loss under “other gains – net”	91,155	947,484
Change in unrealised gains for the year included in profit or loss at end of the year	91,155	947,484

(a) The investment properties are located in the PRC and are held on leases of between 10 and 50 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	2014	2013
Rental income	285,883	244,732
Direct operating expenses arising from investment properties that generate rental income	(25,290)	(19,991)
Direct operating expenses that did not generate rental income	(15,573)	(7,791)

As at 31 December 2014, the Group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

(c) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2014 and 2013. The fair value gains are included in “other gains – net” (Note 25).

As at 31 December 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(d) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2014 by independent, professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (“CFO”) and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Notes to the consolidated financial statements

8. Investment properties (continued)

(e) Valuation techniques

The valuations of completed office and retail buildings are based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

There were no changes to the valuation techniques during the year.

(f) Information about fair value measurements using significant unobservable inputs (level 3)

Description		Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	
Completed investment properties	Office	4,090,434	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value	
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value	
				Market price (RMB/square metre)	37,200-55,300	The higher the market price, the higher the fair value	
	Retail	557,484	Term and reversionary method	Term yields	6.50%-7.00%	The higher the term yields, the lower the fair value	
				Reversionary yields	6.50%	The higher the reversionary yields, the lower the fair value	
				Market rents (RMB/square metre/month)	164 - 277	The higher the market rents, the higher the fair value	
	Carpark		346,607	Direct comparison method	Market price (RMB/square metre)	10,012	The higher the market price, the higher the fair value
	Description		Fair value at 31 December 2013	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	Completed investment properties	Office	4,041,407	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
Reversionary yields					7.25%	The higher the reversionary yields, the lower the fair value	
Market price (RMB/square meter)					36,400-54,100	The higher the market price, the higher the fair value	
Retail		527,382	Term and reversionary method	Term yields	6.50%	The higher the term yields, the lower the fair value	
				Reversionary yields	6.50%	The higher the reversionary yields, the lower the fair value	
				Market rents (RMB/square meter/month)	168-277	The higher the market rents, the higher the fair value	
Carpark		334,581	Direct comparison method	Market price (RMB/square meter)	10,012	The higher the market price, the higher the fair value	

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

Notes to the consolidated financial statements

8. Investment properties (continued)

(g) Investment properties pledged as collateral are as follows:

	2014	2013
Investment properties (Note 21(c))	-	4,560,077

During the year, a subsidiary of the Group (the "Project Company") repaid the bank borrowing, of which the respective investment properties were pledged as collateral. The Project Company has entered into a funding arrangement with a financial institution (the "Trustee"), under which the Trustee has raised funds of RMB1,700,000,000 from third parties and injected the funds to the Project Company. This funding arrangement is guaranteed by the parent company of the Group.

(h) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable on a monthly basis. Minimum lease payments receivable on leases of investment properties are shown in Note 33.

The period of leases over which the Group leases out its investment properties under operating leases ranged from 1 year to 10 years.

9. Investment in subsidiaries

(a) The following is a list of principal subsidiaries of the Group at 31 December 2014:

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
广州圣景房地产开发有限公司 ("圣景")	27 August 2007	Limited liability company	USD80,000,000	75%	Property development in the PRC
广州富力兴盛置业发展有限公司 ("兴盛")	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of office buildings in the PRC
广州富力恒盛置业发展有限公司 ("恒盛")	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
广州富力鼎盛置业发展有限公司 ("鼎盛")	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
海南易通生态科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	100%	Property development in the PRC
杭州富力房地产开发有限公司	19 December 2012	Limited liability company	USD95,000,000	100%	Property development in the PRC
杭州极富房地产开发有限公司	27 February 2013	Limited liability company	USD40,000,000	100%	Property development in the PRC

Notes to the consolidated financial statements

9. Investment in subsidiaries (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
杭州品富房地产开发有限公司	4 September 2013	Limited liability company	USD64,500,000	100%	Property development in the PRC
无锡极富房地产开发有限公司	16 December 2013	Limited liability company	USD150,000,000	100%	Property development in the PRC
重庆富力嘉盛房地产开发有限公司	28 January 2014	Limited liability company	RMB794,540,000	100%	Property development in the PRC
沈阳亿隆房屋开发有限公司	12 December 2001	Limited liability company	RMB20,000,000	100%	Property development in the PRC
Subsidiaries – incorporated in the British Virgin Islands ("BVI")					
Value Success Investments Limited ("Value Success")	01 September 2006	Limited liability company	USD10,000	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	100%	Investment holding in BVI
Big Will Investments Limited	2 November 2007	Limited liability company	USD50,000	100%	Investment holding in BVI
Caifu Holdings Limited	2 January 2013	Limited liability company	USD50,000	100%	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	100%	Investment holding in BVI
Subsidiaries – incorporated in Malaysia:					
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	100%	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	100%	Property development in Malaysia

Notes to the consolidated financial statements

9. Investment in subsidiaries (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in Australia:					
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	90%	Property development in Australia
R&F Estate Pty Ltd.	07 July 2014	Limited liability company	AUD100	90%	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	90%	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	90%	Property development in Australia
R&F Development Holdings Pty Ltd.	30 May 2014	Limited liability company	AUD1	100%	Investment holdings in the Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	90%	Property development in Australia
Subsidiaries – incorporated in Singapore:					
R&F Development PTE LTD.	17 April 2014	Limited liability company	SGD1	100%	Marketing development in Singapore

(b) Material non-controlling interests

The accumulated non-controlling interests as at 31 December 2014 were RMB1,181,897,000 (2013: RMB1,205,524,000), of which RMB752,451,000 was attributable to 兴盛 and RMB471,038,000 was attributable to 圣景. The non-controlling interests in respect of 恒盛, 鼎盛 and certain subsidiaries incorporated in Australia are not material.

Notes to the consolidated financial statements

9. Investment in subsidiaries (continued)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiaries that has non-controlling interests that are material to the Group.

Summarised balance sheet

	兴盛		圣景	
	2014	2013	2014	2013
Current				
Assets	913,370	597,423	2,306,740	4,164,257
Liabilities	(1,724,770)	(183,268)	(935,796)	(2,725,184)
Total current net (liabilities)/assets	(811,400)	414,155	1,370,944	1,439,073
Non-current				
Assets	4,785,618	4,725,881	536,449	547,396
Liabilities	(964,413)	(2,233,560)	-	(57,638)
Total non-current net assets	3,821,205	2,492,321	536,449	489,758
Net assets	3,009,805	2,906,476	1,907,393	1,928,831
Accumulated non-controlling interests	752,451	726,619	471,038	476,398

Summarised statement of comprehensive income

	兴盛		圣景	
	2014	2013	2014	2013
Revenue	255,966	238,238	(46,136)	4,783,809
Profit/(loss) before income tax	138,591	1,017,783	(37,274)	1,851,213
Income tax (expenses)/income	(35,262)	(254,499)	15,836	(466,745)
Post - tax profit/(loss) from continuing operations	103,329	763,284	(21,438)	1,384,468
Total comprehensive income	103,329	763,284	(21,438)	1,384,468
Total comprehensive income allocated to non-controlling interests	25,832	190,821	(5,360)	346,117

Summarised statement of cash flow

	兴盛		圣景	
	2014	2013	2014	2013
Cash flows from operating activities				
Cash generated from operations	479,344	425,986	205,084	1,189,225
Interest paid	(114,147)	(100,906)	(8,939)	(550)
Income tax paid	(39,346)	(242,697)	(827,127)	(63,386)
Net cash generated from/(used in) operating activities	325,851	82,383	(630,982)	1,125,289
Net cash (used in)/generated from investing activities	(898,089)	82,169	1,479,247	(1,390,606)
Net cash generated from/(used in) financing activities	557,031	(150,000)	(850,000)	50,000
Net (decrease)/increase in cash and cash equivalents	(15,207)	14,552	(1,735)	(215,317)
Cash and cash equivalents at beginning of year	30,359	15,807	17,636	232,953
Cash and cash equivalents at end of year	15,152	30,359	15,901	17,636

Notes to the consolidated financial statements

10. Interests in joint ventures

	2014	2013
At 1 January	1,361,824	1,324,012
Addition	280,266	-
Acquisition of remaining interests in a joint venture (Note (a))	(54,154)	-
Share of results (Note 30)	89,873	37,812
At 31 December	<u>1,677,809</u>	<u>1,361,824</u>

(a) The Group acquired the remaining interests in Value Success in 2014, making it a wholly-owned subsidiary of the Group.

(b) Set out below is the joint venture of the Group as at 31 December 2014, which, in the opinion of the Director, is material to the Group. Its share capital represents the registered capitals, which is held directly by the Group.

Name of entity	Place of business	Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Hines Shanghai New Jiangwan Development Co., Ltd. ("Hines Shanghai")	PRC	Cayman Islands	50%	Joint venture	Equity

Summarised financial information

The results of the Group's principal joint venture, which is unlisted and its aggregated assets and liabilities are as follows:

Summarised balance sheet

	Hines Shanghai 2014	2013
Current		
Cash and cash equivalents	111,569	254,267
Other current assets (excluding cash)	4,235,388	3,259,473
Total current assets	<u>4,346,957</u>	<u>3,513,740</u>
Financial liabilities (excluding trade payables)	(605,953)	(245,644)
Other current liabilities (including trade payables)	(1,127,271)	(850,449)
Total current liabilities	<u>(1,733,224)</u>	<u>(1,096,093)</u>

Non-current

Total non-current assets	1,906,254	1,559,226
Financial liabilities	(1,183,368)	(1,176,566)
Other liabilities	(355,203)	(289,195)
Total non-current liabilities	<u>(1,538,571)</u>	<u>(1,465,761)</u>

Net assets

Less: non-controlling interests	(943,833)	(800,224)
Equity attributable to equity holders of Hines Shanghai	<u>2,037,583</u>	<u>1,710,888</u>

Summarised statement of comprehensive income

	Hines Shanghai 2014	2013
Revenue	1,206,372	1,370,120
Interest expenses	(18,325)	(38,267)
Profit from continuing operations	900,204	1,328,595
Income tax expenses	(429,900)	(525,972)
Post-tax profit from continuing operations	<u>470,304</u>	<u>802,623</u>
Less: profit attributable to non-controlling interests	(143,609)	(271,814)
Profit attributable to equity holders of Hines Shanghai	<u>326,695</u>	<u>530,809</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>470,304</u>	<u>802,623</u>

Notes to the consolidated financial statements

10. Interests in joint ventures (continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the joint venture:

	Hines Shanghai	
	2014	2013
Opening net assets at 1 January	1,710,888	1,180,079
Profit for the year	326,695	530,809
Closing net assets at 31 December	2,037,583	1,710,888
Interests in the joint venture @50%	1,018,792	855,444
Adjustment to the fair value of identifiable net assets obtained by the Group	385,263	452,225
Carrying value at 31 December	1,404,055	1,307,669

As at 31 December 2014, the Group's interests in other joint ventures, which are not material to the Group in the opinion of the Director, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit or loss from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2014 was loss of RMB 6,512,000 (2013: profit of RMB 8,219,000).

There were no other contingent liabilities relating to the Group's interests in joint ventures.

11. Interests in associates

	2014	2013
At 1 January	457,326	422,618
Share of results (Note 30)	(24,203)	34,708
At 31 December	433,123	457,326

As at 31 December 2014, the Group's interests in associates, which are not material to the Group in the opinion of the Director, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2014 was loss of RMB 24,203,000 (2013: profit of RMB 34,708,000).

There were no contingent liabilities relating to the Group's interests in associates.

12. Properties under development

	2014	2013
Amount comprises:		
Lands and land use rights	5,627,795	1,719,471
Construction costs and capitalised expenditures	980,375	94,379
Finance costs capitalised	413,665	-
	7,021,835	1,813,850

The Group made payments for land use rights of RMB 942,602,000 as at 31 December 2014 (2013: RMB875,000,000), for which the Group was in the process of applying for formal land use rights certificates.

As at 31 December 2014, properties under development amounting to RMB 2,666,369,000 were domiciled outside the PRC (2013:Nil).

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation is as follows:

	2014	2013
Capitalisation rate	8.45%	6.22%

Properties under development pledged as collateral is as follows:

	2014	2013
Properties under development (Note 21)	1,553,859	-

Notes to the consolidated financial statements

13. Completed properties held for sale

	2014	2013
Land use rights	188,348	52,710
Construction costs and capitalised expenditures	648,361	189,947
Finance costs capitalised	11,568	4,826
	<u>848,277</u>	<u>247,483</u>

14. Inventories

Inventories mainly include consumables for hotel operations.

15. Trade and other receivables and prepayments

	2014	2013
Trade receivables		
- Due from parent company (Note (a) and Note 34 (viii))	12,089	20,738
- Due from third parties (Note (a))	<u>768,274</u>	<u>794,971</u>
Trade receivables – net	780,363	815,709
Other receivables (Note (b))	101,262	515,776
Prepayments (Note (c))	141,716	5,667
Due from joint ventures (Note 34 (viii))	189,524	82,740
Due from parent company (Note 34 (viii))	3,062,413	5,448,575
Due from fellow subsidiaries (Note 34 (viii))	2,134,966	1,325,003
Due from parent company' joint venture (Note 34 (viii))	-	2,432
Less: allowance for impairment of other receivables	<u>(3,347)</u>	<u>(2,028)</u>
Total	6,406,897	8,193,874
Less: non-current portion	<u>(1,892)</u>	<u>(1,393)</u>
Current portion	<u>6,405,005</u>	<u>8,192,481</u>

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2014	2013
0 to 90 days	186,451	766,653
91 to 180 days	-	4,732
181 to 365 days	543,215	-
1 year to 2 years	6,200	1,967
Over 2 years	<u>44,497</u>	<u>42,357</u>
	<u>780,363</u>	<u>815,709</u>

Trade receivables are analysed as follows:

	2014	2013
Fully performing under credit terms	758,930	795,042
Past due but not impaired	<u>21,433</u>	<u>20,667</u>
Trade receivables – net	<u>780,363</u>	<u>815,709</u>

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title and possession of the underlying properties for re-sales. Therefore, the Director considers that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2014 (2013: Nil). The ageing analysis of these trade receivables is as follows:

	2014	2013
Over 2 years	<u>21,433</u>	<u>20,667</u>

Notes to the consolidated financial statements

15. Trade and other receivables and prepayments (continued)

(b) Other receivables

Other receivables are analysed as follows:

	2014	2013
Performing under normal business	97,915	513,748
Non-performing and impaired	3,347	2,028
Other receivables	101,262	515,776
Less: allowance for impairment	(3,347)	(2,028)
Other receivables – net	97,915	513,748

Movements on the allowance for impairment of other receivables are as follows:

	2014	2013
At 1 January	2,028	1,596
Allowance for doubtful debts (Notes 26 and 30)	1,801	545
Reversal of allowance for doubtful debts (Notes 26 and 30)	(482)	(113)
At 31 December	3,347	2,028

(c) Prepayments mainly represent prepayments for acquisitions of land use rights and prepayments for purchases of construction materials.

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2014	2013
RMB	6,251,713	8,188,207
MYR	13,318	-
SGD	143	-
AUD	7	-
	6,265,181	8,188,207

16. Restricted cash

	2014	2013
Guarantee deposits for construction of pre-sold properties (Note (a))	191,503	397,833
Guarantee deposits for bank borrowings	-	1,000,316
Guarantee deposits for interests of senior notes (Note(b))	549,831	382,009
Others	372	372
	741,706	1,780,530

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

Notes to the consolidated financial statements

16. Restricted cash (continued)

(b) According to the relevant contracts, the Group is required to place certain cash deposits at designated bank accounts as security for payment of interest of senior notes issued by the Group. Such guarantee deposits will only be released after payment of interest.

The Director of the Group is of the view that the restricted cash listed above will be released within one year.

The restricted cash is denominated in the following currencies:

	2014	2013
Denominated in:		
— RMB	191,875	1,491,508
— USD	549,831	288,706
— HKD	-	316
	<u>741,706</u>	<u>1,780,530</u>

17. Cash and cash equivalents

	2014	2013
Cash at bank and on hand	<u>1,906,679</u>	<u>2,433,324</u>
	2014	2013
Denominated in:		
— RMB	1,509,569	401,373
— USD	340,192	1,997,501
— MYR	41,033	-
— AUD	9,393	-
— HKD	6,216	34,450
— SGD	276	-
	<u>1,906,679</u>	<u>2,433,324</u>

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

18. Share capital

	Number of shares (thousands)	Share capital
At 31 December 2014 and 2013	<u>10</u>	<u>10</u>

At 31 December 2014 and 2013, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

Notes to the consolidated financial statements

19. Retained earnings

	2014	2013
Balance at 1 January	3,129,820	2,251,877
(Loss)/profit for the year	(955,341)	877,943
Balance at 31 December	2,174,479	3,129,820

20. Accruals and other payables

	2014	2013
Amounts due to joint ventures (Notes (a) and 34 (viii))	618,398	596,650
Amounts due to fellow subsidiaries (Notes (a) and 34 (viii))	334,579	76,649
Construction payables (Note (b))	873,595	718,154
Other payables and accrued charges (Note (c))	685,361	427,073
	2,511,933	1,818,526

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other tax payables excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair value.

(e) The carrying amounts are mainly denominated in RMB, except for balances due to joint ventures amounting to RMB425,802,000 as at 31 December 2014 which is denominated in HKD (2013: RMB596,650,000).

21. Borrowings

	2014	2013
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	3,634,120	3,858,534
- Unsecured	-	400,000
	3,634,120	4,258,534
Senior notes (Note (b))		
- Secured	11,987,708	8,521,961
Other borrowing (Note (c))		
- Unsecured	1,000,000	1,000,000
Less: current portion of long-term borrowings	(133,360)	(3,606,317)
	16,488,468	10,174,178
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
- Secured	-	914,535
Other borrowing		
- Unsecured (Note (c))	1,700,000	-
	1,700,000	914,535
Current portion of long-term borrowings	133,360	3,606,317
Total borrowings	18,321,828	14,695,030

Notes to the consolidated financial statements

21. Borrowings (continued)

(a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

- (i) At 31 December 2014, bank borrowings of RMB3,634,120,000 (2013: RMB4,773,069,000) of the Group were secured by the following:

	2014	2013
Secured by the Group		
- Land use right (Note 6)	222,481	273,536
- Property, plant and equipment (Note 7)	1,141,223	1,560,020
- Investment properties (Note 8)	-	4,560,077
- Properties under development (Note 12)	1,553,859	-
- Restricted cash	-	316
	<u>2,917,563</u>	<u>6,393,949</u>
Secured by the parent company of the Group		
- Restricted cash	-	961,700

- (ii) The maturity of bank borrowings is as follows:

	2014	2013
Within 1 year	133,360	1,914,535
Between 1 and 2 years	83,360	150,000
Between 2 and 5 years	980,080	825,000
Over 5 years	2,437,320	2,283,534
Total bank borrowings	<u>3,634,120</u>	<u>5,173,069</u>
	2014	2013
Wholly repayable within 5 years	780,000	1,764,535
Wholly repayable after 5 years	2,854,120	3,408,534
Total bank borrowings	<u>3,634,120</u>	<u>5,173,069</u>

- (iii) The carrying amounts of bank borrowings are denominated in the following currencies:

	2014	2013
RMB	3,634,120	4,258,534
USD	-	914,535
	<u>3,634,120</u>	<u>5,173,069</u>

- (iv) Interest is charged based on floating rates on outstanding principals and the weighted average effective interest rates at the balance sheet date are as follows:

	2014	2013
RMB bank borrowings – floating rates	6.17%	6.36%
USD bank borrowings – floating rates	-	2.85%

Notes to the consolidated financial statements

21. Borrowings (continued)

(a) Bank borrowings (continued)

(v) The carrying amounts and fair value of the non-current bank borrowings are as follows:

	Carrying amounts		Fair values	
	2014	2013	2014	2013
Bank borrowings	3,500,760	3,258,534	3,558,900	3,224,470

The carrying amounts of non-current bank borrowings approximate their fair values as all such bank borrowings are at floating interest rates. The fair values are based on cash flows discounted at the borrowing rate of 6.11% (2013: 6.66%) and are within level 2 of the fair value hierarchy.

The carrying amounts of short-term bank borrowings approximate their fair values.

(b) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 7% senior notes due 29 April 2014 in the aggregate nominal value of RMB2,612,000,000 and 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at face value (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB3,527,947,000.

On 29 April 2014 (the "Maturity Date"), Big Will, redeemed the 7% senior notes due that date in full at a redemption price equal to 100% of the principal amount of the 2011 Senior Notes outstanding thereof which amounted to RMB2,612,000,000 plus the accrued and unpaid interest of RMB 91,420,000 as of the Maturity Date.

(ii) 2012 Notes

On 29 August 2012, Bill Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at the redemption date.

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at face value (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

Notes to the consolidated financial statements

21. Borrowings (continued)

(b) Senior notes (continued)

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of equity interests of certain guarantors, which are offshore subsidiaries.

The effective interest rate of senior notes ranged from 8.87% to 12.25%.

The movement of senior notes is set out below:

	2014	2013
At 1 January	8,521,961	4,948,275
Issuance of the 2014 Notes	5,991,541	-
Issuance of the 2013 Notes	-	3,708,031
Redemption of the 2011 Notes	(2,612,000)	-
Interest charged (Note 28)	1,198,121	791,052
Interest included in other payables	(1,151,817)	(742,548)
Exchange losses/(gains)	39,902	(182,849)
At 31 December	11,987,708	8,521,961

The carrying amounts of senior notes are denominated in the following currencies:

	2014	2013
RMB	-	2,606,317
USD	11,987,708	5,915,644
	11,987,708	8,521,961

The fair value of the senior notes as at 31 December 2014 amounted to RMB11,704,025,220 (31 December 2013: RMB8,976,324,000). The fair value is determined directly by reference to the price quotations published by Bloomberg on 31 December 2014, the last trading date of 2014, and is within level 1 of the fair value hierarchy.

(c) Other borrowing

In 2013, a wholly owned subsidiary of the Group issued to third parties a subordinated perpetual financial instrument (the "Perpetual Financial Instrument") with an aggregate principal amount of RMB1,000,000,000, which is guaranteed by the parent company of the Group.

The Perpetual Financial Instrument has no maturity date and the distribution payments can be deferred at the discretion of the parent company of the Group which are outside the control of the Company. Therefore, the Perpetual Financial Instrument is classified as a financial liability and recorded as borrowings in the consolidated balance sheet.

In 2014, a subsidiary of the Group (the "Project Company") has entered into a funding arrangement with a financial institution (the "Trustee"), under which the Trustee has raised funds from third parties and injected the funds to the Project Company. This funding arrangement with an aggregate principal amount of RMB1,700,000,000 is guaranteed by the parent company of the Group.

The effective interest rate of these funding arrangements ranged from 7.40% to 12.65%.

Notes to the consolidated financial statements

21. Borrowings (continued)

(c) Other borrowing (continued)

The movements of other borrowings are set out below:

	2014	2013
At 1 January	1,000,000	-
Additions	1,700,000	1,000,000
Interest charged (Note 28)	136,384	2,108
Interest included in other payables	(136,384)	(2,108)
At 31 December	2,700,000	1,000,000

The carrying amounts of other borrowings approximate their fair values.

22. Tax prepayments

Details of tax prepayment amounts are as follows:

	2014	2013
Enterprise income tax prepayments	11,478	5,127
Land appreciation tax prepayments	35,731	6,027
Business tax prepayments	26,743	17,174
Other tax prepayments	646	-
	74,598	28,328

Tax prepayments are calculated based on certain percentage of cash received from pre-sale of properties.

23. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	2013
Deferred tax assets:		
- To be recovered after 12 months	245,086	272,283
- To be recovered within 12 months	24,892	17,824
	269,978	290,107
	2014	2013
Deferred tax liabilities:		
- To be recovered after 12 months	(937,217)	(991,459)
- To be recovered within 12 months	(90,079)	(58,416)
	(1,027,296)	(1,049,875)
Deferred tax liabilities – net	(757,318)	(759,768)

The gross movements on the deferred income tax account are as follows:

	2014	2013
At 1 January	(759,768)	(646,664)
Income statement credits/(charges) (Note 29)	2,450	(113,104)
At 31 December	(757,318)	(759,768)

Notes to the consolidated financial statements

23. Deferred income tax (continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair value gain on investment properties over the tax bases	Interest capitalisation	Total
At 1 January 2013	11,959	750,284	-	762,243
Charged to the income statement	46,457	241,175	-	287,632
At 31 December 2013	58,416	991,459	-	1,049,875
Charged to the income statement	31,663	30,094	5,746	67,503
At 31 December 2014	90,079	1,021,553	5,746	1,117,378

Deferred tax assets:

	Accruals	Tax losses	Others	Total
At 1 January 2013	47,740	62,432	5,407	115,579
Credited/(charged) to the income statement	166,137	9,417	(1,026)	174,528
At 31 December 2013	213,877	71,849	4,381	290,107
(Charged)/credited to the income statement	(57,510)	129,628	(2,165)	69,953
At 31 December 2014	156,367	201,477	2,216	360,060

As at 31 December 2014, deferred income tax assets of RMB 90,082,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2013: Nil).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB 233,375,000 (2013: RMB155,023,000) in respect of losses amounting to RMB 1,414,396,000 (2013: RMB 939,531,000) that can be carried forward against future taxable income. Losses amounting to RMB53,397,000 (2013: RMB75,036,000) and RMB19,764,000 (2013: RMB53,397,000) expire in 2015 and 2016 respectively.

24. Current income tax liabilities

	2014	2013
Income tax liabilities	82,108	574,659
Land appreciation tax liabilities	535,047	800,754
	617,155	1,375,413

25. Other gains - net

	2014	2013
Fair value gain on investment properties - net (Notes 8 and 30)	91,155	947,484
Gains/(losses) on disposal of property, plant and equipment (Note 30)	9,772	(99)
Interest income (Note 30)	50,979	48,896
Others	-	4
	151,906	996,285

Notes to the consolidated financial statements

26. Expenses by nature

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2014	2013
Crediting:		
Reversal of allowance for doubtful debts (Notes 15 and 30)	(482)	(113)
Charging:		
Cost of completed properties sold	770,838	1,871,771
Cost of hotel operations (including hotel management fees)	356,147	374,990
Business taxes and other levies	175,783	370,977
Depreciation (Notes 7 and 30)	59,623	67,454
Employee benefit expenses (Note 27)	109,627	67,322
Advertising costs	49,088	24,194
Amortisation of land use rights and intangible assets (Note 30)	9,970	9,851
Office expenses	12,263	5,824
Allowance for doubtful debts (Notes 15 and 30)	1,801	545
Auditors' remuneration	607	655
Others	124,117	53,014
	<u>1,669,382</u>	<u>2,846,484</u>

27. Employee benefit expenses

	2014	2013
Wages and salaries	92,084	58,817
Retirement scheme contributions	6,716	4,325
Other allowances and benefits	10,827	4,180
	<u>109,627</u>	<u>67,322</u>

28. Finance costs

	2014	2013
Interest on bank borrowings	374,350	297,055
Interest on other borrowings (Note 21)	136,384	2,108
Interest on senior notes (Note 21)	1,198,121	791,052
	<u>1,708,855</u>	<u>1,090,215</u>
Net foreign exchange losses/(gains)	289,888	(89,572)
Less: finance costs capitalised	(491,156)	(59,726)
	<u>1,507,587</u>	<u>940,917</u>

29. Income tax expenses

	2014	2013
Current income tax		
– PRC enterprise income tax (Note (b))	55,221	608,988
Deferred income tax (Note 23)	(2,450)	113,104
	<u>52,771</u>	<u>722,092</u>
Current PRC land appreciation tax (Note (c))	(13,284)	785,716
Total income tax expenses (Note (d))	<u>39,487</u>	<u>1,507,808</u>

Notes to the consolidated financial statements

29. Income tax expenses (continued)

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2013: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2014, the applicable income tax rate for the profits generated was primarily 25% (2013: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2014	2013
(loss)/Profit before income tax	(939,488)	2,907,081
Less: Land appreciation tax	13,284	(785,716)
	(926,204)	2,121,365
Effect of calculated at tax rate of 25% (2013: 25%)	(231,551)	530,341
- Different income tax rates of certain companies	(4,478)	(3,923)
- Share of results of joint ventures and associates	(16,418)	(18,130)
- Expenses and development costs not deductible for tax purposes	284,058	196,601
- Others	21,160	17,203
PRC enterprise income tax	52,771	722,092
Land appreciation tax	(13,284)	785,716
Tax charge (Note 30)	39,487	1,507,808

Notes to the consolidated financial statements

30. Cash used in operations

	2014	2013
(Loss)/profit for the year	(978,975)	1,399,273
Adjustments for:		
- Tax (Note 29)	39,487	1,507,808
- Interest income (Note 25)	(50,979)	(48,896)
- Finance costs (Note 28)	1,507,587	940,917
- Depreciation (Notes 7 and 26)	59,623	67,454
- Amortisation of land use rights and intangible assets (Note 26)	9,970	9,851
- Allowance for doubtful debts (Notes 15 and 26)	1,801	545
- Reversal of allowance for doubtful debts (Notes 15 and 26)	(482)	(113)
- (Gains)/losses on disposals of property, plant and equipment (Note 25)	(9,772)	99
- Share of results of joint ventures	(89,873)	(37,812)
- Share of results of associates	24,203	(34,708)
- Fair value gains on investment properties - net (Notes 8 and 25)	(91,155)	(947,484)
Operating profit before changes in working capital	421,435	2,856,934
Changes in working capital:		
- Properties under development and completed properties held for sale	(5,324,191)	397,804
- Trade receivables	35,346	(689,558)
- Other receivables, deposits and prepayments	277,819	(275,102)
- Restricted cash	206,330	(67,981)
- Deposits received on sale of properties	323,857	(2,243,503)
- Accruals and other payables	217,673	(582,512)
- Business taxes payable	(34,687)	26,532
Net cash and cash equivalents used in operations	(3,876,418)	(577,386)

31. Financial guarantee contracts

The face values of the financial guarantees issued by the Group as at 31 December 2014 and 2013 are analysed as follows:

	2014	2013
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	1,637,217	995,605
Guarantees in respect of borrowings of a joint venture (Note (b))	528,261	824,379
	2,165,478	1,819,984

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The Director considers that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for the joint venture for its borrowings.

Notes to the consolidated financial statements

32. Commitments

Expenditure commitments for properties under development

	2014	2013
Authorised but not contracted for	3,353,934	1,278,946
Contracted but not provided for	7,253,456	-
	<u>10,607,390</u>	<u>1,278,946</u>

33. Future minimum rental payments receivable

At 31 December 2014, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2014	2013
Not later than one year	209,100	242,006
Later than one year and not later than five years	174,888	247,641
Over five years	4,990	9,548
	<u>388,978</u>	<u>499,195</u>

34. Significant related-party transactions

The parent of the Company is Guangzhou R&F Properties Co., Ltd. ("GZ R&F") which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who owns 33.52% and 32.02%, respectively, of GZ R&F's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of lease of properties

	2014	2013
Common shareholders: 广州金贝壳投资有限公司	<u>1,333</u>	<u>1,394</u>
A joint venture: 广州市富景房地产开发有限公司	<u>87</u>	<u>-</u>
Parent company: GZ R&F	<u>52,584</u>	<u>52,541</u>

Notes to the consolidated financial statements

34. Significant related-party transactions (continued)

ii) Purchase of installation services

	2014	2013
Controlled by an immediate family member of the major shareholder: 广州恒量机电工程有限公司	580	-

iii) Purchase of construction services

	2014	2013
Fellow subsidiaries:		
广州天力建筑工程有限公司	53,226	42,556
广东恒力建设工程有限公司	117,834	-
	<u>171,060</u>	<u>42,556</u>

iv) Purchase of property management services

	2014	2013
Fellow subsidiary: 广州天力物业发展有限公司	1,612	12

v) Provision of hotel services

	2014	2013
Parent company: GZ R&F	18,533	38,526

vi) Borrowings guaranteed by related parties

As at 31 December 2014, the Group's other borrowings of RMB2,700,000,000 was guaranteed by GZ R&F (2013: RMB1,000,000,000).

vii) Borrowings of related parties guaranteed by the Group

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures for project development purpose. As at 31 December 2014, the Group's guarantees for borrowings provided to its joint ventures are shown as follows:

	2014	2013
Joint ventures:		
Charm Talent Limited	528,261	522,646
Hines Shanghai	-	301,733
	<u>528,261</u>	<u>824,379</u>

Notes to the consolidated financial statements

34. Significant related-party transactions (continued)

viii) Balances with related parties

As at 31 December 2014, the Group had the following significant balances with related parties:

	2014	2013
Due from:		
Parent company:		
- Trade balance		
GZ R&F	12,089	20,738
- Non-trade balance		
GZ R&F	3,062,413	5,448,575
Parent company's joint venture		
- Non-trade balance		
天津津南新城房地产开发有限公司	-	2,432
Fellow subsidiaries:		
- Non-trade balances		
北京富力城房地产开发有限公司	669,986	-
海南富力房地产开发有限公司	398,399	470,726
杭州联富房地产开发有限公司	331,951	-
杭州瑞富房地产开发有限公司	279,556	-
广州富力超盛置业发展有限公司	205,946	5,963
广州德和投资发展有限公司	176,381	17,381
广州富力创盛置业发展有限公司	38,500	32,918
北京恒富物业服务有限公司沈阳分公司	10,758	-
广州富力足球俱乐部有限公司	8,000	8,000
海南怡丰房地产发展(香港)公司	7,000	-
广州富力嘉盛置业发展有限公司	4,872	-
海南协兴地产发展(香港)有限公司	3,000	-
广州市住宅建筑设计院有限公司	567	-
广州市东园房地产开发有限公司	50	50
R&F Development SDN BHD	-	502,522
上海浦卫房地产开发有限公司	-	287,443
	2,134,966	1,325,003
Due from:		
Joint ventures:		
- Non-trade balances		
Hines Shanghai	155,346	-
和荣有限公司	34,178	-
Value Success (Note (a))	-	82,740
	189,524	82,740
	5,398,992	6,879,488

Notes to the consolidated financial statements

34. Significant related-party transactions (continued)

viii) Balances with related parties (continued)

	2014	2013
Due to:		
Fellow subsidiaries:		
- Non-trade balances		
富力(北京)地产开发有限公司	140,000	-
无锡天润福源房地产开发有限公司	63,800	-
重庆富力房地产开发有限公司	49,433	-
海南怡丰房地产发展(香港)公司	44,749	44,664
海南协兴地产发展(香港)有限公司	17,000	-
天津富力城房地产开发有限公司	14,832	14,832
广州市金鼎房地产开发有限公司	3,500	3,500
西安保德信房地产开发有限公司	714	-
广州富力智盛置业发展有限公司	546	546
广州市吉浩源房地产开发有限公司	5	5
广州富力嘉盛置业发展有限公司	-	11,177
广州天富建设工程监理有限公司	-	1,925
	<u>334,579</u>	<u>76,649</u>
Joint ventures:		
- Non-trade balances		
Accord Wing Limited	425,802	451,672
富力(沈阳)房地产开发有限公司	192,596	-
Hines Shanghai	-	144,978
	<u>618,398</u>	<u>596,650</u>
	<u>952,977</u>	<u>673,299</u>

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled based on the respective contractual terms.

(a) The Group acquired the remaining interests in Value Success in 2014. The Group treats it and its subsidiaries as wholly-owned subsidiaries after the acquisition.

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