IMPORTANT NOTICE

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

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

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

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OFFERING MEMORANDUM **Strictly Confidential**

US$300,000,000

建業地產
Central China Real Estate

Central China Real Estate Limited

(incorporated in the Cayman Islands with limited liability)

7.25% Senior Notes due 2023

Issue Price: 99.15% plus, in each case, accrued interest, if any, from the issue date

Our 7.25% Senior Notes due 2023 (the "Notes") will bear interest from April 24, 2019 at 7.25% per annum payable in arrears on April 24 and October 24 each year, commencing October 24, 2019. The Notes will mature on April 24, 2023.

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

We may at our option redeem the Notes, in whole or in part, at any time and from time to time on or after April 24, 2021, at redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to April 24, 2021, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to April 24, 2021, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the value of the assets serving as security therefor (other than the Collateral), and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). 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 "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 201.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 15.

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

We have been assigned a long-term corporate credit rating of "B+" with a stable outlook by Standard & Poor's Rating Services ("S&P"), a corporate family rating of "Ba3" with a stable outlook by Moody's Investors Service ("Moody's") and a long-term foreign currency issuer default rating of "BB-" with a stable outlook by Fitch Ratings Inc. ("Fitch"). 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.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行 外債備案登記制管理改革的通知)(the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated February 26, 2019 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

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"). The Notes may not be offered, sold, pledged or otherwise transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

The Notes will be evidenced by a global note (the "Global Note") 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 the Global Note 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 Notes will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Note will be made on April 24, 2019 or such later date as may be agreed by the Company and the Joint Bookrunners.

Joint Bookrunners and Joint Lead Managers

In alphabetical order

BNP PARIBAS | Credit Suisse | DBS Bank Ltd. | Deutsche Bank
Haitong International | Morgan Stanley

The date of this offering memorandum is April 15, 2019.

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NOTICE TO INVESTORS

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 (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

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

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

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

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF SUCH INITIAL PURCHASER, AS STABILIZING MANAGER (OR ANY PERSON ACTING FOR IT) 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 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, 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.

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.

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

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

No representation or warranty, express or implied, is made by BNP Paribas, Credit Suisse (Hong Kong) Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Haitong International Securities Company Limited and Morgan Stanley & Co. International plc (collectively, the "Initial Purchasers") or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with

the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

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

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

This offering memorandum summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. None of the Company, the Initial Purchasers or our or their respective directors or advisors are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

In this offering memorandum, references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); references to "RMB" or "Renminbi" are to Renminbi, the official currency of the PRC; references to "S$" and "Singapore dollars" are to Singapore dollars, the official currency of the Republic of Singapore ("Singapore"); and references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S.").

We prepare and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.8755 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2018, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.8305 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 December 31, 2018. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. All amounts converted into U.S. dollars contained in this offering memorandum are unaudited and for reference purposes only. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

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

Unless the context otherwise requires, references to "2016," "2017" and "2018" in this offering memorandum are to our financial years ended December 31, 2016, 2017 and 2018, respectively. References to "Share" are, unless the context indicates otherwise, to an ordinary share, with a nominal value of HK$0.10, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. 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 other shareholders or joint venture partners of our non-wholly owned project companies. We have excluded parking spaces in our calculation of GFA for our projects, unless otherwise noted. References to "sq.m." are to the measurement unit of square meters.

References to "Hong Kong Stock Exchange" in this offering memorandum are to The Stock Exchange of Hong Kong Limited.

References to "Listing Rules" in this offering memorandum are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended.

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

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

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

The following terms used in this offering memorandum shall have the same meaning assigned to them:

Term	Definitions
"2009 Convertible Bonds with Warrants"	the convertible bonds with a principal amount of HK$765,000,000 due 2014 and 76,097,561 warrants issued by our Company on August 31, 2009, with the outstanding principal amount of the convertible bonds reduced to HK$687,000,000 and the number of warrants reduced to 68,338,594 upon a partial redemption and surrender of warrants in November 2012, and the remaining convertible bonds and warrants were redeemed and surrendered in full in August 2014
"2010 Notes"	the 12.25% senior notes due 2015 with an aggregate principal amount of US$300,000,000, issued by our Company on October 20, 2010 and redeemed in full in June 2013
"2011 Rights Issue"	the rights issue of 428,000,000 shares of HK$0.10 each in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share by our Company on June 28, 2011
"2012 ISDA Master Agreement".	means the ISDA Master Agreement (2002) dated as of August 1, 2012 entered into between the Company and Nomura
"2012 Swap Transaction"	means the swap transaction entered into between the Company and Nomura evidenced by a confirmation dated May 28, 2012, which supplement, form a part of, and is subject to the 2012 ISDA Master Agreement, which has been terminated on April 18, 2016

Term	Definitions
"2012 Notes"	the 10.75% senior notes due 2016 with an aggregate principal amount of S$175,000,000, issued by our Company on April 18, 2012 and redeemed in full in April 2016
"2013 Term Loan Facility"	means the HK$780,000,000 and US$25,000,000 dual tranche term facility granted to the Company pursuant to a facility agreement dated October 18, 2013, entered into between the Company and a number of lenders, including The Bank of East Asia, Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, DBS Bank Ltd, Hong Kong Branch, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited, which was fully repaid on June 29, 2015
"2014 Notes"	the 6.5% senior notes due 2017 with an aggregate principal amount of S$200,000,000, issued by our Company on May 26, 2014 and redeemed in full in May 2017
"2015 Notes"	the 8.75% senior notes due 2021 with an aggregate principal amount of US$300,000,000, issued by our Company on April 23, 2015
"2016 Notes"	the US$200,000,000 6.75% senior notes due 2021 with an aggregate amount of US$200,000,000, issued by our Company on November 8, 2016
"2016 ISDA Master Agreement"	means the ISDA Master Agreement (2002) dated as of November 14, 2016, together with a confirmation dated as of December 5, 2016, entered into between the Company and Morgan Stanley & Co. International plc
"2016 Swap Transaction"	means the swap transaction entered into between the Company and Morgan Stanley & Co. International plc, evidenced by a confirmation dated December 5, 2016, which supplement, form a part of, and is subject to the 2016 ISDA Master Agreement
"2017 Facility"	means the US$150,000,000 facility granted to the Company pursuant to a facility agreement dated March 28, 2017, entered into between, among others, the Company, the Subsidiary Guarantors, a number of lenders and Bank of China (Hong Kong) Limited as the facility agent
"April 2018 Notes"	the 6.875% senior notes due 2020 which includes the original notes with an aggregate principal amount of US$300,000,000 issued by our Company on April 23, 2018 and the additional notes with an aggregate principal amount of US$86,000,000 issued by our Company on June 5, 2018 which were consolidated and formed a single class with the original notes
"Bridge Trust"	Bridge Trust Co., Ltd.
"CapitaLand"	CapitaLand Limited
"CapitaLand China"	CapitaLand China Holdings Pte Ltd.
"CapitaLand Cayman"	CapitaLand LF (Cayman) Holdings Co., Ltd.
"CBRC"	China Banking Regulatory Commission which has been reorganized as China Banking and Insurance Regulatory Commission
"CCRE China"	Central China Real Estate Group (China) Company Limited（建業住宅集團(中國)有限公司）

Term	Definitions
"certificate of completion"	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
"construction land planning permit"	the 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
"construction permit" . . .	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
"construction works planning permit"	the 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
"Corporate Bonds"	the 6.0% first tranche domestic corporate bonds due 2021 issued on April 13, 2016 by CCRE China in the aggregate principal amount of RMB3,000,000,000
"Existing Notes"	means the January 2013 Notes, the 2015 Notes, the 2016 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes and the January 2019 Notes.
"GFA"	gross floor area
"Henan"	Henan Province, PRC
"January 2013 Notes" . . .	the 8.0% senior notes due 2020 with an aggregate principal amount of US$200,000,000, issued by our Company on January 28, 2013
"January 2019 Notes" . . .	the 7.325% senior notes due 2020 with an aggregate principal amount of US$200,000,000, issued by our Company on January 29, 2019
"July 2017 Notes"	the 6.0% senior notes due 2018 with an aggregate principal amount of US$200,000,000, issued by our Company on July 18, 2017 and redeemed in full in July 2018
"March 2018 Notes"	the 6.50% senior notes due 2021 with an aggregate principal amount of US$300,000,000 issued by our Company on March 5, 2018
"May 2018 Notes"	the 6.25% senior notes due 2020 with an aggregate principal amount of S$150,000,000 issued by our Company on May 2, 2018
"land grant contract"	the 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
"land use rights certificate"	the state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights

Term	Definitions
"Nomura"	Nomura International plc
"pre-sale permit"	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
"property ownership certificate"	the property ownership certificate (房屋所有權證) issued by a local real estate and land resources bureau with respect to the ownership rights of the buildings on the relevant land

FORWARD-LOOKING STATEMENTS

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

- 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;
- our financial condition and results of operations;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- 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 region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of, and demand for, our property development projects;
- ability to obtain in a timely manner the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;

- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;

- relationship with our joint venture partners;

- occurrences of catastrophies such as fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;

- changes in currency exchange rates; and

- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering memorandum might not occur.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

Conyers Dill & Pearman, our Cayman Islands legal advisor, has advised that there is uncertainty as to (i) whether the courts in the Cayman Islands would enforce judgments obtained in the United States courts against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States and (ii) whether the Cayman Islands courts would entertain actions brought in the Cayman Islands against us or our directors predicated upon the civil liability provisions of the federal securities laws of the United States.

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

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States.

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

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

(a) was obtained by fraud;

(b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time;

(c) is contrary to public policy or natural justice;

(d) is for penal damages;

(e) is based on foreign penal, revenue or other public law;

(f) falls within section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance; or

(g) is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong.

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

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which differ in certain material respects from generally accepted accounting principles ("GAAP") in certain other countries, including the United States. There are no material differences, however, between HKFRS and International Financial Reporting Standards. We have not identified the differences between HKFRS and those generally accepted accounting principles in other countries, nor have we quantified the effect of applying those generally accepted accounting principles to our financial statements. In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between HKFRS and generally accepted accounting principles in other countries and how such differences might affect our financial statements and your investment in the Notes.

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 the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See "Business – Awards and Certificates." With an operating history of 27 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 30.1 million sq.m. between 1992 and December 31, 2018. Leveraging our experience and brand reputation, we have expanded into 95 cities across Henan, including all 18 prefecture-level cities and 77 county-level cities, as of December 31, 2018.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.1 million registered residents as of December 31, 2018. From 2008 through 2018, Henan's GDP grew from RMB1,801.9 billion to RMB4,805.6 billion, representing a CAGR of 10.3%. From 2008 to 2018, Henan's urbanization rate also grew significantly by 15.7 percentage points, from 36.0% to 51.7%, which was yet at a level considerably below the national urbanization rate of 59.6% in 2017, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicality and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 24.10% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until December 31, 2018, we had completed an aggregate GFA of approximately 30.1 million sq.m. (including GFA which had been sold). As of December 31, 2018, we had a total of 118 projects in Henan in various stages of development, including an aggregate planned total GFA of approximately 21.7 million sq.m. of properties under development and an aggregate planned total GFA of approximately 24.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates.

We intend to continue to execute our provincial and regional strategy on the Henan market by further solidifying our leading position in Henan's residential property market and leveraging our local knowledge and market reputation to expand our business in Henan. We plan to continue to focus on developing medium to large-scale residential communities in major prefecture-level cities. We believe these will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, in the second half of 2015, we launched a light-asset development strategy based on our study and evaluation of the real estate development industry. As of December 31, 2018, we have entered into 110 management entrustment arrangements to develop, operate and manage real estate projects of third parties, or light-asset model projects, with total planned GFA of approximately 16.62 million sq.m. We intend to continue engaging in such light-asset strategy to further capitalize on our brand value and diversity our income sources. See "Business – Management Entrustment Arrangements."

For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB9,495.0 million, RMB13,879.2 million and RMB14,783.5 million (US$2,150.2 million) respectively, and our net profit attributable to equity holders of our Company was RMB403.0 million, RMB811.4 million and RMB1,154.3 million (US$167.9 million), respectively. We have also achieved contracted sales of RMB53,675 million (US$7,806.7 million) for the year ended December 31, 2018, representing an increase of 76.5% as compared to the year ended December 31, 2017. The contracted sales GFA for the year ended December 31, 2018 was 7.4 million sq.m. and the contracted average selling price was RMB7,221 per sq.m.

Recent Developments

Subsequent to December 31, 2018 we have acquired the following land parcels:

Date of acquisition	Location	Attributable interest	Planned total GFA (sq.m.)	Consideration (RMB Mn)	Average GFA land cost (RMB/sq.m.)	Type [(1)]
January, 2019	Luoyang	80%	283,318	140	494	R, C, K
January, 2019	Zhengzhou	100%	84,550	1,320	15,612	R, K
January, 2019	Xuchang	100%	327,136	319	975	R, C, K
January, 2019	Nanyang	51%	310,354	113	364	R, C, K
January, 2019	Zhumadian	51%	146,673	93	634	R, C, K
January, 2019	Zhengzhou	100%	57,431	99	1,724	D, C, K
February, 2019	Zhengzhou	100%	111,580	1,680	15,056	R, K
March, 2019	Zhengzhou	100%	164,683	2,520	15,302	R, C, K
March, 2019	Anyang	95%	211,378	284	1,344	R, C, K
March, 2019	Yuzhou	100%	90,487	75	829	R, C, K
March, 2019	Zhoukou	85%	150,186	182	1,205	R, C, K
			1,937,776	6,824		

Notes:

(1) Property type includes Commercial "C", Residential "R", Carpark "K" and Condo "D".

Issuance of the January 2019 Notes

On January 29, 2019, we issued 7.325% senior notes in an aggregate principal amount of US$200 million, which will be fully repayable on January 27, 2020. See "Description of Other Material Indebtedness – January 2019 Notes" for details.

Services Agreements with Central China New Life

The Company has entered into several services agreement with Central China New Life Service Company Limited (河南建業新生活有限公司)("Central China New Life"), which is over 30% directly owned by Mr. Wu.

On August 31, 2018, the Company entered into a consultation services framework agreement (the "2018 Consultation Services Agreement") with Central China New Life, pursuant to which Central China New Life will provide certain consultation services to the Company and its subsidiaries. On January 31,

2019, the Company entered into a consultation services framework agreement (the "2019 Consultation Services Agreement") with Central China New Life to renew the 2018 Consultation Services Agreement. The 2019 Consultation Services will expire on December 31, 2021.

On November 30, 2018, the Company entered into a hotel management services framework agreement (the "2018 Hotel Management Agreement") with Central China New Life, pursuant to which Central China New Life will provide certain hotel management services for the hotels of the Company and its subsidiaries. On January 30, 2019, the Company entered into a hotel management services framework agreement (the "2019 Hotel Management Agreement") with Central China New Life to renew the 2018 Hotel Management Agreement. The 2019 Hotel Management will expire on December 31, 2021.

On November 30, 2018, the Company entered into a tourism services framework agreement (the "2018 Tourism Services Agreement") with Central China New Life, pursuant to which Central China New Life will provide certain customized services for business tourism for the Company and its subsidiaries. On January 30, 2019, the Company entered into a tourism services framework agreement (the "2019 Tourism Services Agreement") with Central China New Life to renew the 2018 Tourism Services Agreement. The 2019 Tourism Services will expire on December 31, 2021.

On November 30, 2018, the Company entered into a marketing centre management services framework agreement (the "2018 Marketing Agreement") with Central China New Life, pursuant to which Central China New Life will provide the overall management services, including operation, administration and management, security and maintenance, concierge, cleaning, gardening and other ancillary services in respect to marketing centres of the Company and its subsidiaries for the sales and promotion of real estate projects. On January 31, 2019, the Company entered into a marketing centre management services framework agreement (the "2019 Marketing Agreement") with Central China New Life to renew the 2018 Marketing Agreement. The 2019 Marketing will expire on December 31, 2021.

On November 30, 2018, the Company entered into a vacant properties patrolling services framework agreement (the "2018 Patrolling Services Agreement") with Central China New Life, pursuant to which Central China New Life will provide patrolling services of vacant properties for the Company and its subsidiaries. On January 31, 2019, the Company entered into a vacant properties patrolling services framework agreement (the "2019 Patrolling Services Agreement," and, together with the 2019 Consultation Services Agreement and the 2019 Marketing Agreement, the "2019 Agreements") with Central China New Life to renew the 2018 Patrolling Services Agreement. The 2019 Patrolling Services will expire on December 31, 2021. Pursuant to the 2019 Agreements, the Company also procures the property management services provided by Central China New Life for the management of the office buildings and other properties owned by the Company and being used by the Company for its business operation. Moreover, pursuant to the 2019 Agreements, the Company procures the property examination and post-completion checking services provided by Central China New Life to the Company for its newly completed properties.

On March 29, 2019, the Company entered into a membership maintenance and management services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide membership maintenance and management services to the Company and its subsidiaries in respect of various residential communities, as well as large-scale event organization and planning services.

On March 29, 2019, the Company entered into a greenhouse management services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide services to the Company and its subsidiaries in respect of agricultural project promotion, brand promotion and operation management, technical support services to the facility of agricultural projects, agricultural product sales management and agricultural product planting service.

On March 29, 2019, the Company entered into an intelligent technology services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide the sales and provision of intelligent products and related services to the Company and its subsidiaries, including but not limited to engineering installation, software development and related consulting services.

Sale-back of the 2016 Corporate Bonds

In 2016, Central China Real Estate Group (China) Company Limited(建業住宅集團(中國)有限公司)("CCRE China"), an indirect wholly-owned subsidiary of the Company, issued PRC corporate bonds (the "2016 Corporate Bonds") with an aggregate face value of up to RMB3,000,000,000 and a term of five years. Pursuant to the terms of the 2016 Corporate Bonds, the investors may choose to register during the sale back registration period to sell back the 2016 Corporate Bonds in part or in whole at face value, or choose to continue to hold the 2016 Corporate Bonds. On March 1, 2019, CCRE China commenced the implementation of sale back regarding the 2016 Corporate Bonds.

General Information

We were incorporated in the Cayman Islands on November 15, 2007, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since June 6, 2008 under stock code 832. Our principal place of business in the PRC is located at Block E, Jianye Office Building, Nongye East Road, Zhengzhou City, Henan Province, the PRC. Our place of business in Hong Kong is located at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.jianye.com.cn. Information contained on our website does not constitute part of this offering memorandum.

SUMMARY OF THE OFFERING

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

Issuer	Central China Real Estate Limited (the "Company").
Notes Offered	US$300,000,000 aggregate principal amount of 7.25% Senior Notes due 2023 (the "Notes").
Offering Price	99.15% of the principal amount of the Notes.
Maturity	April 24, 2023.
Interest	The Notes will bear interest from and including April 24, 2019 at the rate of 7.25% per annum, payable in arrears.
Interest Payment Dates	April 24 and October 24 of each year commencing on October 24, 2019.
Ranking of the Notes	The Notes are:

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

After the extension of the security interests over the Collateral by the Company and the Subsidiary Guarantor Pledgors to secure the Notes and the Subsidiary Guarantees and subject to certain limitations described under "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral," the Notes will:

- be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens and *pari passu* sharing);

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

- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor securing the Notes (subject to priority rights of such unsecured obligations pursuant to applicable law).

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

A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes – The Subsidiary Guarantees and JV Subsidiary Guarantees – Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."

The initial Subsidiary Guarantors will be Artstar Investments Limited, Bumper Up Limited, Central China Real Estate Holdings Limited, Joy Ascend Holdings Limited, Leapup Limited, Proud Sky Investments Limited, Sino Joy Enterprises Limited, Ahead Properties Limited, Central China Properties Development Limited, Central China Real Estate Investments Limited, Construction Premier Service Limited, Country Star Holdings Limited, Abundant Well Limited, Cheer World Limited and Precise Wish Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (collectively the "Initial Non-Guarantor Subsidiaries"), Exempted Subsidiaries, Unrestricted Subsidiaries nor PRC Restricted Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. See "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees."

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or Exempted Subsidiaries) to guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws 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 taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 25% of the Total Assets.

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

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

After the extension of the security interests over the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any permitted liens and *pari passu* sharing); and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee.

See "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral."

Ranking of JV Subsidiary Guarantees. .

A JV Subsidiary Guarantee may be provided by a Restricted Subsidiary in lieu of a Subsidiary Guarantee following a sale or issuance of shares by the Company or any of its Restricted Subsidiaries of Capital Stock in such Restricted Subsidiary, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Restricted Subsidiary or following a purchase by the Company or any of its Restricted Subsidiaries of no less than 50.1% of the Capital Stock of an independent third party, which becomes a Restricted Subsidiary after the purchase. No JV Subsidiary Guarantee exists as of the Original Issue Date.

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefore (other than the Collateral);
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment of such JV Subsidiary Guarantee; and

- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Security to be Granted . . . The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") to the holders in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of other secured indebtedness including the Existing Notes and the lenders under the 2017 Facility. 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 Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See "Description of the Notes – Security."

Intercreditor Agreement . . The Trustee will on the date the Notes are issued accede to an intercreditor agreement dated October 20, 2010 entered into by, among others, the Company, the Subsidiary Guarantor Pledgors, the Global Security Agent, each trustee for each series of the Existing Notes and Bank of China (Hong Kong) Limited as facility agent under the 2017 Facility. Upon the Trustee becoming a party to this agreement, this agreement will provide that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the holders of the Notes, (ii) the holders of each series of the Existing Notes, (iii) the lenders under the 2017 Facility and (iv) the holders of the Pari Passu Secured Indebtedness (as defined herein), if any, incurred after the date thereof.

Use of Proceeds . . . . . The Company intends to use the proceeds of the offering of the Notes mainly for refinancing existing indebtedness.

The Company may adjust its plans based on its business needs and changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, the Company intends to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes."

Optional Redemption	At any time and from time to time on or after April 24, 2021, the Company may at its option redeem the Notes, in whole or in part, at the redemption prices set forth in "Description of the Notes – Optional Redemption" plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to April 24, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to April 24, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes – Optional Redemption."
Repurchase of Notes Upon a Change of Control . .	Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.
Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes – Redemption for Taxation Reasons."
Covenants	The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions;

	• enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes – Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration.	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Book-Entry Only.	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see "Description of the Notes – Book-Entry; Delivery and Form."
Delivery of the Notes. . . .	The Company expects to make delivery of the Notes, against payment in same-day funds on or about April 24, 2019 which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	DB Trustees (Hong Kong) Limited
Paying and Transfer Agent	Deutsche Bank AG, Hong Kong Branch
Note Registrar.	Deutsche Bank Luxembourg, S.A.
Global Security Agent . . .	Deutsche Bank Trust Company Americas
Common Depositary	Deutsche Bank AG, London Branch
Listings	Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York. The relevant pledge documents will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

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 INFORMATION

The following table presents our summary financial information. The summary consolidated financial information as of and for each of the years ended December 31, 2016, 2017 and 2018 has been derived from our published audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018, included in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS. There are certain new HKFRSs and amendments to HKFRSs adopted by the Company since January 1, 2018. In preparing the consolidated financial statement of the Company for the year ended December 31, 2018, the Group has adopted HKFRS 9, *Financial Instruments* and HKFRS 15, Revenue for Contract with Customers and has not restated prior years consolidated financial statements. Therefore, the consolidated financial statements of the Company for the year ended December 31, 2018 may not be comparable to the audited consolidated financial statements for the years ended December 31, 2016 and 2017.

The summary financial information below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Revenue	9,495,022	13,879,207	14,783,480	2,150,168
Cost of sales	(7,202,155)	(10,598,430)	(9,692,377)	(1,409,698)
Gross profit	2,292,867	3,280,777	5,091,103	740,470
Other revenue	228,696	106,810	234,854	34,158
Other net income	17,600	258,358	64,192	9,336
Selling and marketing expenses	(478,899)	(697,149)	(1,188,393)	(172,845)
General and administrative expenses	(808,433)	(1,087,227)	(1,552,404)	(225,788)
Other operating income	43,037	48,627	–	–
Impairment losses on trade and other receivables, including contract assets	–	–	(54,623)	(7,945)
Profit from operations	1,294,868	1,910,196	2,594,729	377,386
Share of profits less losses of associates	(1,160)	(4,422)	(17,905)	(2,604)
Share of profits less losses of joint ventures	107,386	198,943	15,638	2,274
Finance costs	(400,806)	(408,051)	(226,152)	(32,892)
Profit before change in fair value of investment properties and income tax	1,000,288	1,696,666	2,366,310	344,164
Net valuation gains on investment property	27,223	243,400	605,673	88,091
Profit before taxation	1,027,511	1,940,066	2,971,983	432,255
Income tax	(623,391)	(1,040,784)	(1,556,860)	(226,436)
Profit for the year	404,120	899,282	1,415,123	205,819
Attributable to:				
Equity shareholders of the Company	402,973	811,365	1,154,262	167,880
Non-controlling interests	1,147	87,917	260,861	37,939
Profit for the year	404,120	899,282	1,415,123	205,819
Earnings per share				
– Basic (RMB/US$ cents)	16.50	33.19	44.30	6.44
– Diluted (RMB/US$ cents)	16.50	32.95	43.51	6.33
Other financial data				
EBITDA[(1)]	2,086,066	2,856,450	4,493,683	653,580
EBITDA margin[(2)]	22.0%	20.6%	30.4%	30.4%

Notes:

(1) EBITDA consists of profit before interest income, income tax expense, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. Gross finance costs represented our finance costs excluding "borrowing costs capitalized," and "net change in fair value of derivatives embedded in senior notes". 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

Summary Consolidated Statement of Financial Position Data

	As of December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Non-current assets				
Property, plant and equipment	3,024,802	3,793,340	4,808,494	699,366
Investment property	575,870	1,297,000	2,916,000	424,115
Intangible assets	131,250	204,300	518,008	75,341
Biological assets	–	–	203,946	29,663
Interests in associates	27,168	536,549	449,913	65,437
Interests in joint ventures	6,276,091	9,026,377	9,915,331	1,442,125
Other financial assets	190,080	486,366	651,865	94,810
Deferred tax assets	127,461	100,742	248,318	36,116
	10,352,722	15,444,674	19,711,875	2,866,973
Current assets				
Trading securities	105,868	97,105	82,775	12,039
Biological assets	–	–	32,778	4,767
Inventories and other contract costs	18,026,529	24,341,214	50,315,979	7,318,156
Contract assets	–	–	137,691	20,026
Trade and other receivables	887,613	1,664,421	2,577,140	374,829
Deposits and prepayments	3,161,766	6,554,002	9,161,824	1,332,532
Tax recoverable	610,171	1,016,854	2,160,457	314,225
Restricted bank deposits	1,404,821	2,125,062	3,579,597	520,631
Cash and cash equivalents	9,776,310	11,283,853	14,202,259	2,065,633
	33,973,078	47,082,511	82,250,500	11,962,838
Current liabilities				
Bank loans	514,265	450,118	1,756,130	255,419
Other loans	90,000	90,000	593,150	86,270
Trade and other payables	14,842,040	22,034,089	28,924,187	4,206,849
Receipts in advance	6,832,439	15,087,593	–	–
Contract liabilities	–	–	40,829,626	5,938,423
Corporate bonds	–	–	2,996,760	435,861
Senior notes	960,216	3,890,692	–	–
Taxation payable	1,151,686	1,116,940	833,264	121,193
	24,390,646	42,669,432	75,933,117	11,044,015
Net current assets	9,582,432	4,413,079	6,317,383	918,823
Total assets less current liabilities	19,935,154	19,857,753	26,029,258	3,785,796
Non-current liabilities				
Bank loans	1,851,175	3,437,460	4,074,351	592,590
Other loans	300,000	210,000	240,030	34,911
Payables and accruals	60,000	58,302	–	–
Senior notes	7,662,270	2,986,914	10,190,829	1,482,195
Corporate bonds	2,978,128	4,518,961	–	–
Deferred tax liabilities	86,255	172,947	1,254,264	182,424
	12,937,828	11,384,584	15,759,474	2,292,120
NET ASSETS	6,997,326	8,473,169	10,269,784	1,493,676
CAPITAL AND RESERVES				
Share capital	216,322	216,916	239,958	34,900
Reserves	6,205,741	7,477,757	8,597,132	1,250,401
Total equity attributable to equity shareholders of the Company	6,422,063	7,694,673	8,837,090	1,285,301
Non-controlling interests	575,263	778,496	1,432,694	208,375
TOTAL EQUITY	6,997,326	8,473,169	10,269,784	1,493,676

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 in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition or results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. 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 rely heavily on the performance of the property market in Henan.

Most of our past, current and planned property development projects are located in China's Henan. As of December 31, 2018, we had land reserves in Henan, including properties under development and properties held for future development, with an aggregate planned GFA of approximately 46.1 million sq.m. Because we intend to continue to focus our efforts in Henan, we will continue to depend heavily on the growth and performance of Henan's property market. Market demand for residential and commercial properties in Henan may be affected by various factors, including the regional economic environment and any macroeconomic control measures or other regulatory initiatives implemented by the provincial or the central governments. The property market in Henan is mainly driven by demand from end-users (as opposed to investment demand) and major indicators of Henan's property market lag significantly behind national averages. We cannot assure you that demand for new properties in Henan will continue to grow or will not decrease. Decreased demand is likely to 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 price, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Our business operation and financial performance will continue to be affected by and will fluctuate due to the factors stated above affecting Henan. More recently, in the year ended December 31, 2018, our revenue from property sales increased and the average selling price also increased compared with that in the corresponding period in 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

Our sales of residential properties may be adversely affected by the purchase restriction and price-curbing policies in the PRC.

Pursuant to the Circular of the General Office of the State Council on Issues concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知) dated January 26, 2011, as a general rule, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including a new commodity residential house or a second hand one); and (b) 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 cannot provide evidence of local tax or social insurance payment for a required period shall be suspended from purchasing any other commodity residential houses. On February 26, 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation 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 emphasized that the purchase restriction policies shall continue to be strictly implemented. The cities affected by the purchase restriction policy include Zhengzhou, one of our major

property markets. Certain restrictions were lifted thereafter but since September 2016, Zhengzhou has issued new property market control policies, which included restoring the restrictions on purchases of residential properties. The Henan Provincial Department of Housing and Urban-Rural Development and Department of Land and Resources of Henan Province jointly issued a notice in June 2017 to curb the price increase in Henan. The notice stipulated that average selling price of new projects in Zhengzhou cannot be higher than the price level as of October 2016 of the nearby projects. For cities/counties with an inventory period of less than 12 months and a sales volume increase of 30% or price increase of 20%, the average selling price of the new projects cannot be higher than the price level as of April 2017 of the nearby projects. We cannot assure you that other cities of Henan will not implement similar restrictions in the future or that the purchase restrictions implemented in these cities (if any) will not have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business is subject to increasing competition.

In recent years, an increasing number of property developers have begun property development in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, some of which may have longer track records, greater financial, marketing and land bank resources, wider name recognition and superior economies of scale. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition for available land as well as increased land acquisition costs.

The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by government authorities. As of December 31, 2018, we had formed joint ventures with other local property developers and real estate funds established with a trust company and we may co-develop properties with other companies in order to enhance our competitiveness for certain large-scale projects. Such joint venture or co-development may not be successful and may have a lower return. Increased competition or other changes to market conditions may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not have adequate capital resources to fund our property developments.

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. Our ability to secure sufficient financing for property developments depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict our ability to raise capital through internal operation and external financing for property developments, including without limitation, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;

- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold idle land and a large amount of vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- in November 2009, the PRC government raised the minimum down payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;
- in March 2010, the Ministry of Land and Resources ("MLR"), which has been reorganized as the Ministry of Natural Resources stipulated that the minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract; and
- on September 29, 2010, the People's Bank of China ("PBOC") and CBRC promulgated the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides that all property companies with records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time and hoarding properties or other acts of noncompliance with applicable laws or regulations shall be restricted from obtaining bank loans or credit facilities for new projects.

In addition, on June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises.

We cannot assure you that we will have adequate resources to fund property developments such as land acquisitions (including any unpaid land premiums for past acquisitions). We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence

new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be adversely affected by the global economic slowdown and turmoil in the global financial markets.

The global economic slowdown and turmoil in the global financial markets have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. This global economic slowdown has also had a negative impact on property markets and property prices in the PRC. The outlook for financial markets and general economy around the world is uncertain.

Recent global market and economic conditions, including the credit crisis in Europe, the downgrade of United States debt by Standard & Poor's Ratings Services ("S&P") and Japan debt by Moody's Investors Service ("Moody's") and heightened market volatility in major stock markets, have been unprecedented and challenging. On June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union's free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. 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 impacted, and may continue adversely impacting, home owners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. Moreover, China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods and plans to further increase the rate to 25%. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. The rhetoric surrounding the trade war continues to escalate and neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war and the lasting impacts any trade war may have on the PRC economy and the PRC property markets remain uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected, which would have a material and adverse impact on our business, financial condition and results of operations. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment.

Our business may be adversely affected by increases in interest rates and reserve requirement ratios.

We rely on borrowings to finance a substantial part of our project developments. A substantial part of our borrowings consist of loans from commercial banks in China. In addition, many of our customers finance their purchases of our properties through mortgage loans. Our ability to obtain bank financing and our customers' ability to obtain mortgage loans, as well as the associated finance costs, are affected by benchmark lending rates and bank reserve requirement ratios set by the PBOC.

As of the date of this offering memorandum, the benchmark one-year lending rate published by the PBOC was 4.35%. The PBOC adjusts the benchmark lending rates from time to time according to the monetary policies of the PRC government. The PBOC may raise lending rates in the future, which could adversely affect our business, financial condition and results of operations. Increases in interest rates increase our finance costs and increase mortgage rates. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential home buyers.

The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. In response to economic conditions, the PBOC adjusted the ratio several times since December 2008 and the ratio as of the date of this offering memorandum is ranging from 12%-14%. Increases of the bank reserve requirement ratio may negatively impact the amount of funds available for lending to businesses, including us, by commercial banks in China.

Regulatory constraints limit our ability to obtain sites suitable for property development.

Our ability to identify and obtain suitable sites for future development is critical to our strategy but is subject to regulatory constraints and other factors outside our control. We cannot assure you that we will be able to identify and acquire suitable sites within our budget, or at all.

The PRC government controls substantially all new land supply in the PRC and regulates land sales in the secondary market. Our ability to acquire land use rights and the acquisition costs of such land use rights may be adversely affected by the PRC government's policies towards land supply, development and pricing. The PRC central and local governments regulate the means by which property developers, including us, obtain land sites for property developments. In particular, the central government introduced regulations in May 2002 and September 2007 that require government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. We believe these regulations have generally contributed to an increase in land acquisition costs. The regulatory climate may constrain our ability to pursue development opportunities in the future. See also "– Risks Relating to the Property Industry in the PRC – We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC."

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

In September 2007, the MLR issued a regulation requiring property developers to fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are 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. In November 2009, the Ministry of Finance (the "MOF"), MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment on land premiums to 50% of the total premium 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 March 2010, the MLR issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land grant is required to be equal to at least 70% of the benchmark price of the locality where the parcel of land is granted and the bidding

deposit for such land grant is required to be equal to at least 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure the property developers acquiring land with internal funds. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow, financial condition and business plans.

We face uncertainties when obtaining land sites through the acquisition of project companies.

In addition to increasing our land bank through public tender, auction and listing-for-sale, we have obtained land sites for some of our projects through acquisition of project companies that held the land use rights. We expect to continue to obtain land sites through corporate acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover prior to such acquisitions, all existing or potential liabilities of or risks associated with the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties as intended, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may fail to obtain, or experience material delays in obtaining, necessary government approvals for our property developments, or fail to maintain such approvals after they have been obtained.

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and provincial laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, at various stages of the property development a property developer must obtain various permits, licenses, certificates and other approvals, including but not limited to land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion. Each approval may depend on the satisfaction of certain conditions. See "Regulation – Development of a Property Project." Further, local authorities may also, under certain circumstances, withdraw permits, licenses, certificates and other approvals that have been issued. We commenced construction or presale for certain of our projects before obtaining the relevant government approvals. We cannot assure you that the local authorities will not impose penalties upon us or even order us to suspend the construction or presale with respect to these projects due to the lack of such approvals. For instance, in June and August 2015, the local urban planning and construction authorities in Zhengzhou imposed fines on us in a total amount of approximately RMB9.8 million as a result of commencing construction of one of our projects in Zhengzhou before obtaining relevant planning and construction permits and we paid the full amount of the fines and subsequently obtained the required planning and construction permits for the project. In December 2016, one of the local urban planning and construction authorities in Zhengzhou imposed fines on us in an amount of approximately RMB2 million for our failure to obtain the construction permit and other relevant approvals before commencing construction of one of our projects in Zhengzhou. We have fully paid the fine to the relevant authorities. In June and December 2017, one of our project companies in Zhoukou and one of our project companies in Kaifeng were respectively imposed fines of approximately RMB2.0 million for commencing project construction before obtaining construction permits and such fines have been fully paid. In 2018, we were imposed fines of approximately RMB6.0 million for commencing construction of one of our projects in Zhengzhou without obtaining relevant planning and construction permits and such fines have been fully paid. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to such approvals, or that we will be able to adapt to new laws, regulations or

policies that may come into effect from time to time with respect to the PRC property industry in general, or new processes with respect to the regulatory approvals, or that our projects under development have obtained all necessary approvals. We also cannot assure you that government authorities will not withdraw such approvals after they have been given. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If any of these occurs, we will not be able to keep up with our development schedule, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our customers may not be able to obtain mortgages on favorable terms, or at all, which could reduce our sales.

Many of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers.

From time to time, the PRC government issues laws, regulations or government policies regarding mortgage financing to regulate the PRC property market. In January 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market, which, among other things, provides that homeowners with outstanding mortgage loans who intend to buy additional housing properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price and the applicable interest rate shall be set strictly based upon the associated risk level. In April 2010, the State Council issued a notice to raise the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of the PBOC benchmark lending rate. In May 2010, the Ministry of Housing and Urban-Rural Development ("MOHURD," previously the Ministry of Construction), PBOC and the CBRC jointly issued a circular to clarify that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account all residential properties owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that property purchasers of second or subsequent residential properties shall be subject to different credit terms when applying for mortgage loans. According to a notice jointly issued by PBOC and CBRC on September 29, 2010, the minimum down payment has been raised to 30% for all first home purchases, and commercial banks are required to suspend mortgage loans for purchases of a customer's third or subsequent residential properties. In January 2011, the State Council issued a circular to further raise the minimum down payment for second home purchases to 60%. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment from 60% to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the

solvency and credit standing of the borrower. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. See "Regulation – Transfer and Sale of Property – Financing property development and acquisition." In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Changes in laws and regulations in relation to pre-sale of properties may adversely affect our business, prospects, financial condition and results of operations.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have a significant impact on our cash flow and liquidity position. In August 2005, the PBOC proposed in a report entitled "2004 Real Estate Financing Report(2004中國房地產融資報告)" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on pre-sales of uncompleted properties in the future. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing(關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to sell completed commodity properties. Although no local government in Henan has promulgated any such regulation for sale of completed commodity properties, we cannot assure you that regulations of this nature will not be promulgated in the future. In addition, the Zhengzhou City Housing Authority passed a local rule in 2002 which requires that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. Other cities in Henan have subsequently passed similar requirements on pre-sale proceeds escrow account, including without limitation Anyang, Luoyang, Jiaozuo, Pingdingshan, Shangqiu, Xuchang, Luohe, Nanyang, Kaifeng and Hebi, where some of our property projects are located. We cannot assure you we can adapt to new laws, regulations or policies relating to pre-sale of properties that may come into effect from time to time. Any failure to do so may subject us to fines, delays or other impediments in developing our properties. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance our property developments, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to contractual and legal risks relating to pre-sales.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If delays extend beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also terminate a 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. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to improve the system for commodity housing pre-sale in China is to abolish the financing function of pre-sale. On April 26, 2007, an economy research group under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On March 5, 2010, a government work report delivered by the former Chinese Premiere Wen Jiabao at the Third Session of the 11th National People's Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the "Permit for Construction Work" after July 1, 2010. Those residential housing projects must have completed the main structural works and passed examination before they can be available for pre-sale, and thus raising the standard for pre-sale.

We cannot assure you that the PRC authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. For instance, the land grant contracts for certain of our projects in Puyang have stipulated that we cannot sell certain percentages of the projects within certain period. 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.

We cannot assure you that services performed by independent contractors will meet our quality standards and timing requirements or will be provided within our budget.

We engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors through an open tender process. Completion of our projects is therefore subject to the satisfactory performance of these independent contractors. We cannot assure you that we will be able to obtain services from independent contractors within our budget or at all, or that the services rendered by these independent contractors or subcontractors will be satisfactory or will meet our quality and safety standards and our project

timelines. If the performance of any independent contractor is not satisfactory or is delayed, we may need to replace the contractor or take other actions to remedy the situation, which could inflate construction costs and delay completion. Any of these factors may have a material adverse effect on our business, prospects, financial condition and results of operations.

We are subject to rising costs for labor and materials, which we may not be able to pass on to construction contractors or to purchasers.

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under the terms of most of our construction contracts, contractors may adjust the contract prices to cover increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly source good quality and service. We are also exposed to the price volatility of labor 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 several years, or if we choose to hire the construction workers directly or purchase construction materials directly from suppliers. Furthermore, we are unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If we are unable to pass on any increase in the cost of labor, construction materials or building equipment to either our construction contractors or to the purchasers of our properties, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may be subject to legal and business risks if we fail to obtain, renew or maintain qualification certificates.

Property developers must obtain a qualification certificate in order to carry out property development in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定)(the "Provisions on Administration of Qualifications"), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate with an approved class before its provisional qualification certificate expires. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates. See "Regulation – Qualifications of a Property Development Enterprise."

As of December 31, 2018, about 150 of our project companies were conducting annual review or altering their qualification certificates or applying for qualification certificates. Each of our project companies is responsible for the annual submission of its renewal application and shall engage in property developments within its qualification certificate class. If any of our project companies is unable to obtain the relevant qualification certificates, it may not be able to engage in the relevant real estate development project. Otherwise it will generally be given a grace period to rectify any noncompliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to ratify the noncompliance within the grace period could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to renew our provisional qualification certificates, or obtain or renew our formal qualification certificates in a timely manner, or at all. If any of our project companies fails to do so, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to complete our development projects on time, within budget, or at all.

Property development projects require substantial capital expenditures prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. The progress and costs for a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents or demolition of existing structures;
- unforeseen engineering, design, environmental, structural or geographic problems;
- shortages or increased costs of materials, equipment, contractors and skilled labor;
- labor disputes;
- adverse influence caused by other construction projects not undertaken by the Company;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- discovery of historic and cultural relics in the construction site; and
- changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications or may ultimately require us to abandon a project. If a pre-sold property development is not completed on time, the purchaser may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on our reputation, business, prospects, financial condition and results of operations.

Our efforts to expand into the hotel and commercial property sectors may not be successful.

We are expanding our business into new market segments, such as hotel and commercial property development. We cannot assure you that we will be able to leverage our residential property experience or our relationship with CapitaLand when entering new sectors. Hotels and commercial properties typically require government approvals, design specifications and building materials that are different from residential properties. In addition, the customers that we target for residential properties are very different from those for commercial and hotel properties. We may also not have sufficient human resources or the necessary expertise to handle such challenges. We cannot assure you that we will be able to leverage our past experience in residential development to meet the challenges in these new businesses. We may not be able to reduce the costs associated with the management of hotels and commercial properties in a timely manner in response to changes in demand for those properties. We also may experience disputes with the hotel management companies that we have engaged or will engage to manage our hotel operations. We cannot assure you that the hotel management companies will render satisfactory services as anticipated. There may not be sufficient and consistent market demand for high-end hotels and commercial properties in our target markets, and, as a result, our results of operations in new business segments may not be profitable or generate recurring income or cashflow as

we expect. In addition, we may be exposed to considerable reputational and financial risks if our hotels are mismanaged or do not meet the expectations of hotel customers. If we fail in our efforts in hotel and commercial property development, it may have a material adverse effect on our reputation generally, and our business and prospects, results of operations and financial condition may be materially and adversely affected.

We may not be able to successfully manage our growth.

We have been continuously expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new locations, or difficulties in expanding our existing business and operations and in training an increasing number of personnel to manage and operate the expanded business. Our expansion plans may also adversely affect our existing operations and thereby have a material adverse effect on our business, prospects, financial condition and results of operations.

The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties.

Our investment properties primarily consist of schools, kindergartens, retail and commercial units and parking spaces in our property projects. Investment properties in general are relatively illiquid compared to other types of investments, such as securities. As such, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates. We cannot predict whether we would be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us.

In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand, increased supply or other factors. Similarly, substantial capital expenditure may be required to correct defects or to make improvements before an investment property can be sold. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to generate adequate returns on our properties held for long-term investment purposes.

Property development is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the

value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

Changes in the fair values of our investment properties are unrealized.

In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

For the years ended December 31, 2016, 2017 and 2018, we recorded upward fair value adjustments of approximately RMB27.2 million, RMB243.4 million and RMB605.7 million (US$88.1 million), respectively, on our investment properties. In light of the above, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our investment properties at the end of relevant accounting reporting period and sometimes arise upon the reclassification of our properties as investment properties, are not profit generated from day-to-day rental income from our investment properties, are largely dependent on prevailing property market conditions, and do not generate cash inflow which can be contributed to payments of interest, principal or other amounts under the Notes unless such investment properties are disposed of and the capital gains are realized. We may not be able to dispose of investment properties at or near their recorded fair values, or at all. Moreover, prospective investors should be aware that property values are subject to market fluctuations, and we cannot assure you that we will be able to record favorable fair value adjustments on investment properties in the future. Should there be any severe downward fair value adjustments on our investment properties in the future, our business, prospects and results of operations may be materially and adversely affected.

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. As of December 31, 2018, we were the registrant of 181 registered trademarks in the PRC, Singapore and Hong Kong, including our "" and "" trademarks. We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Henan Jianye Property Management Company Limited (河南建業物業管理有限公司), all of which are independent third parties, in relation to their use of the "建業"(*Jian Ye*) name and certain of our trademarks. Under these agreements, we granted non-exclusive rights to use the "建業"(*Jian Ye*) name and certain of our trademarks in China on a royalty-free basis as part of our branding and marketing strategy. See "Business – Intellectual Property Rights."

Any unauthorized use of our brands, trademarks, trade names and other intellectual property rights could harm our business. Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. The application of laws governing intellectual property rights in China and abroad is uncertain and evolving. Moreover, monitoring and preventing unauthorized use of intellectual property is difficult. We cannot assure you that our trade names or trademarks will not be subject to infringement in the future or that our licensees will not use our trademarks or trade names inappropriately. Any unauthorized or inappropriate use of our trade names or trademarks could harm our market image and reputation. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may not be able to refinance our indebtedness as it matures.

We have incurred significant indebtedness to finance our property development activities. As of December 31, 2018, our total consolidated indebtedness, representing our current and non-current bank and other loans, our senior notes and the Corporate Bonds, was RMB19,851.3 million (US$2,887.3 million), of which RMB5,346.0 million (US$777.5 million) was recorded as current liabilities. We cannot assure you that we will be able to refinance our indebtedness as it matures, in which case we will need to repay our debt with cash generated from operating activities or some other sources. We cannot assure you that our business will generate sufficient cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may become liable if our customers default on mortgages we have guaranteed.

Like other PRC property developers, we guarantee customer mortgages for all of our pre-sold properties. These guarantees are not released until we either deliver vacant possession of the relevant property to the purchasers or the mortgage is fully repaid. We do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. If a purchaser defaults on a mortgage payment, 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 additional amounts outstanding from us as the guarantor of the mortgage.

As of December 31, 2018, our outstanding guarantees in respect of mortgage loans amounted to approximately RMB29,523.0 million (US$4,293.9 million). The default rate on mortgages we have guaranteed has been historically low, approximately less than 1% in 2016, 2017 and 2018. There can be no assurance that the default rate will not increase in the future. We also provided guarantees for bank loans and other loans of our joint ventures, amounting to RMB4,984.8 million (US$725.0 million) as of December 31, 2018. If substantial defaults occur and we are called upon to honor our guarantees, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our results of operations fluctuate from period to period.

Our results of operations have varied significantly in the past and may continue to fluctuate from period to period in the future. For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB9,495.0 million, RMB13,879.2 million and RMB14,783.5 million (US$2,150.2 million) respectively, our net profit attributable to equity holders of our Company was RMB403.0 million, RMB811.4 million and RMB1,154.3 million (US$167.9 million) respectively, and our gross profit margin was 24.1%, 23.6% and 34.4% respectively. Our revenue, net profit and gross profit margin are significantly affected by our product mix and the number of properties that we can complete and sell during any particular period, which may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenue, net profit and gross profit margin for any given period. Since no sales revenue is recognized in respect of our property until the later of the signing of the sale and purchase agreement and the completion of the property, therefore, our revenue and profit during any given period reflects the quantity of properties delivered during that period and are affected by any peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during the period. Our revenue, net

profit and gross profit margin during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

Disputes with our joint venture partners may adversely affect our business.

We carry out a portion of our business through joint ventures and similar arrangements with third parties. We have entered into a strategic cooperation agreement with Bridge Trust to set up trust funds focusing on investment in real estate markets. For more information, see "Description of Other Material Indebtedness – Other PRC Loans – Bridge-CCRE Trust V." We also founded joint ventures with other property developers in Henan. A number of our joint ventures are "jointly controlled entities" under HKFRS. We do not have sole discretion with respect to the management or operations of our joint ventures. Business decisions, corporate actions and other matters with respect to the jointly controlled entities will require the approval of our partners or their representatives. In addition, in accordance with PRC law, certain matters relating to a joint venture require the consent of all parties to the joint venture. Our joint venture arrangements involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant joint venture development agreement;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant joint venture property development agreement; or
- conflicts between the policies or objectives adopted by our partners and those adopted by us.

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

We may be required to forfeit land if we fail to comply with the terms of land grant contracts.

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or require us to forfeit the land. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Under The Measures on the Disposal of Idle Land (閒置土地處置辦法), if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment of the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the MLR and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR 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, which reiterates the current rules regarding idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified. The local governments have required us to pay liquidated damages with respect to Project Chrysanthemum Garden in Kaifeng and deemed one parcel of land for Xiuwu Forest Peninsula Project in Jiaozuo as idle land, each due to our failure to commence development within the time period stipulated in the respective land grant contracts. For three of our projects of which we have failed commencing constructions within the time period as stipulated in the land grant contracts, the local land authorities have issued notices to require us commence constructions within certain time limit or as soon as possible, but we have not yet commenced construction of these projects as of the date of this offering memorandum. For parcels of land of two of our projects in Zhengzhou and one of our projects in Anyang, we have received idle land investigation notices from the relevant local government authorities but these parcels of land have not yet been deemed as idle land by the local government authorities as of the date of this offering memorandum. We also have not commenced development of certain other projects within the time period stipulated in the relevant land grant contracts or required by relevant PRC laws, for which we have not received any idle land notice or been required to pay liquidated damages or other penalties. There have been also instances that certain of our property projects have not completed development within the time period stipulated in the relevant land grant contracts. However, we cannot assure you that the government authorities will not issue idle land notice to us, require us to pay liquidated damages, impose other penalties on us or even forfeit the parcels of land in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business, prospects, financial condition and results of operations.

Any failure to deliver individual property ownership certificates in a timely manner may result in claims against us.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for application and approval processes. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including a land use rights certificate, a certificate evidencing the construction has met the requirements of relevant planning permits, a certificate evidencing the construction has been completed and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, and the general property ownership certificate, to the bureau for review prior to the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including us, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future. We have been subject to liabilities as a result of late deliveries of property ownership certificates in the past, and cannot assure

you we will not incur such liabilities in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Selected Income Statement Items – Other net income/(loss)."

The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.

Under PRC tax laws and regulations, our project companies in the PRC are subject to land appreciation tax ("LAT") on the appreciation value of their land and the improvements on the land. All income from the sale or transfer of state-owned land use rights, and 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 by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the Notice on Strengthening the Administration of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan can be calculated using the authorized taxation method instead of the taxation method based on accounts. Property developers are permitted to select the method of tax calculation they adopt, subject to the approval of the local tax authorities. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 6% of the proceeds from pre-sales of the properties during the years ended December 31, 2016, 2017 and 2018, depending on the city in which the enterprise was located and the selling price per GFA.

Property developers are normally required to file tax returns with the relevant authorities within seven days from the date the property sale or transfer contract is signed, and the LAT is payable within the period specified by the local tax authorities. However, with the approval of the relevant tax authorities, real estate enterprises may file tax returns for LAT on a regular basis if they have a consistently high volume of transactions which makes it impracticable to file a tax return for each sale or transfer. We have been approved by the relevant tax authorities to file tax returns for LAT on a monthly basis and to settle our LAT liabilities for each month prior to the tenth day of the immediately following month.

During recent years, however, the Henan Local Tax Bureau issued several notices and circulars with the intention to increase the LAT prepayment rates and strengthen the collection of LAT. For instances, in December 2006, the State Administration of Taxation ("SAT") issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises (關於房地產開發企業土地增值稅清算有關問題的通知), which requires real estate developers to settle the final LAT payable in respect of their development project that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to 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)("the 2010 LAT Notice") issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan is increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax (關於明確土地增值稅若干政策的通知) issued by the Henan Local Tax Bureau in March 2010 and effective as of May 2010 and a circular issued by the Henan Local Tax Bureau effective as of January 2012, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only under limited circumstances authorized taxation method with a rate ranging from 5% to 10% may be applied to LAT calculation.

During the years ended December 31, 2016, 2017 and 2018, we estimated and made provisions for LAT for which we believe we were liable in accordance with the relevant PRC tax laws and regulations, and we paid provisional LAT at the rate of 1.5% to 6% of the sales proceeds received in accordance with LAT regulations. For the years ended December 31, 2016, 2017 and 2018, we made LAT payments in the amount of approximately RMB369.1 million, RMB500.1 million and RMB964.8 million (US$140.3 million), respectively, and we made provisions for LAT in the amount of approximately RMB225.4 million, RMB372.4 million and RMB191.0 million (US$27.8 million), respectively. Before disallowance

of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. The method of calculating LAT liability may differ for a subsidiary from year to year depending on application made by such subsidiary and approval granted by government authorities.

We cannot assure you that the local tax authorities will agree to the basis on which we calculate the amounts of LAT payable by us. In addition, we cannot assure you that the tax rate applied under the audited taxation method will not increase, or that the PRC government or local tax authorities will not completely abolish the authorized taxation method. If the tax authorities determine that a higher amount of LAT should be paid in the future, or if the final settlement of our LAT obligations results in an amount greater than what we have already paid or made provision for, our business, prospects, financial condition and results of operations may be materially and adversely affected.

If any cultural relics are discovered at a construction site, it could result in the delay or abandonment of a property development project.

Henan was an ancient political, economic and cultural center of China and is home to a large quantity of valuable cultural relics and historic sites. According to the Henan Provincial Cultural Relics and Archaeology Institute, the number of historic and cultural relics discovered underground in Henan is among the highest in China.

All the parcels of land we acquired or have contracted to acquire are located in Henan. Pursuant to the Cultural Relics Protection Law of the PRC (中華人民共和國文物保護法) and the Implementing Rules of the Cultural Relics Protection Law in Henan (河南省實施《中華人民共和國文物保護法》辦法), if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as "highly valuable" by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, there is no assurance that such compensation will be sufficient to cover the full amount of the land premium paid or any other expenses incurred by the developer in connection with the relevant site or to cover the purchase price for another parcel of land of comparable quality. If any historic relics are discovered under any of our construction sites in the future, the completion of our projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, financial condition and results of operations.

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

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our chairman Mr. Wu Po Sum. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, as competition in the PRC for senior management and key personnel with experience in property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Moreover, along with our growth and expansion, we will need to continue to employ, train and retain employees. If we cannot attract and retain suitable human resources, our business, prospects, financial condition and results of operations will be materially and adversely affected.

We may suffer losses arising from uninsured risks.

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery). Similarly we do not carry insurance covering liabilities rising from tortious acts or other personal injuries on our project sites. Losses incurred or payments we may be required to make in connection with any uninsured losses, damages and liabilities in the course of our operations and property development may have a material adverse effect on our business, prospects, financial condition and results of operations.

The total GFA of our projects under development or future property developments may exceed the original GFA authorized in the land grant contract.

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the designated use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might exceed the total GFA authorized in the land grant contract due to various factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. In addition, if we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. If this occurs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

The ancillary facilities in residential projects developed by us may not be available to residents in the projects.

Many of the residential projects developed by us have ancillary facilities such as schools that enhance the value of properties in such projects by providing convenience and a better living environment to residents. We do not, however, operate or manage any of these facilities. We cannot assure you that these facilities will continue to operate or provide services to residents in the properties developed by us. In the event that some or all of these facilities cease to operate in the vicinity of our residential communities, our properties may become less attractive to potential purchasers, which will adversely affect our business to the extent that we have properties unsold or held for investment purposes in such project. In addition, our reputation may also be adversely affected as a result of the unavailability of such ancillary facilities, which may in turn materially and adversely our business, prospects, financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities or suffer damage to our reputation as a result.

We may be involved in disputes with various parties, including joint venture parties, management companies, purchasers, suppliers, contractors, construction workers and trustees, and these disputes may lead to legal and/or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. As of December 31, 2018, third party claims against us primarily consisted of disputes with suppliers. We cannot assure you that we will not be involved in a larger number of proceedings or that such proceedings will not involve larger amounts in controversy in the future. The outcome of these proceedings may materially and adversely affect our operation and our reputation.

In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in pecuniary liabilities and cause delays to our property developments. Any such action by a PRC government authority would have a material adverse effect on our business, prospects, financial condition and results of operations.

Finally, any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, or any investigation in relation to such failure or alleged failure by any regulatory body, could also materially and adversely affect our reputation and our business, financial condition and results of operations.

We are subject to potential environmental liabilities that could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of the environment. The particular PRC environmental laws and regulations which apply to any given project development site vary according to the location, the environmental condition, the present and former uses of the site, as well as adjacent properties.

The relevant property development project may be delayed due to our efforts to comply with environmental laws and regulations. For example, dust control delayed several of our property development projects in Zhengzhou area in 2016, which contributed to our revenue decrease in 2016. In some environmentally-sensitive regions or areas, the compliance costs could be prohibitively expensive.

In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting up to 1%-5% of the total investment amount for each project.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of certain of our projects and we were in the process of applying for environmental approvals for certain of our projects under development. For our other projects where we have not obtained such approvals, we understood that we were not required to submit environmental impact assessment reports after consultation with the local environmental authorities prior to the commencement of construction of these projects. There have been instances that we were imposed administrative penalties for commencing construction of certain property projects before obtaining environmental approvals. The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business and financial condition. After the construction project has been completed, the project company should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If any of these occur, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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 develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development

projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain 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, prospects, financial condition and results of operations.

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

As of December 31, 2018, we had interests under land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of approximately 10.8 million sq.m. for which we have not obtained the land use rights certificates. These parcels of land were held for our development in the future pending obtaining of relevant land use rights certificates. If we fail to obtain the land use rights certificates with respect to these parcels of land in a timely manner, or at all, or if we are required to pay a higher land premium, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We may be deemed to be a PRC resident enterprise under Corporate Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest, and possibly premium, on the Notes.

Under the PRC Corporate Income Tax Law (中華人民共和國企業所得税法)(the "CIT Law") enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income (excluding dividends received by us from our direct equity investment in other PRC resident enterprises if such dividends are treated by the relevant tax authorities as "tax-exempt income"). Furthermore, we would be obligated to withhold PRC income tax of 10% on payments of interest, and possibly premium, on the Notes to investors that are non-PRC resident enterprises, if the interest or premium is regarded as being derived from sources within the PRC. Such tax may be withheld at 20% in the case of payments to individuals. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we are required to withhold PRC tax as described above, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could adversely affect our profitability and cash flow. If we are treated as a PRC resident enterprise, any gain realized by non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax (20% in the case of individuals). PRC tax liability may be reduced by an applicable tax treaty.

The full-fledged levy of value added tax ("VAT") 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 (關於全面推開營業税改徵增值税試點的通知) issued on March 23, 2016 and implemented on May 1, 2016, or Circular 36, by the MOF and SAT, effective from May 1, 2016, PRC tax authorities have started imposing value added tax 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 sale of self-developed real estate projects has increased from 5% (the business tax rate that we were subject to) to 11%. Unlike the business tax, the VAT is only imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We 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.

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

In the event we are treated as a PRC "resident enterprise" under the CIT Law, we may be required to withhold PRC tax on interest paid to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes – Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law or the stating of an official position regarding the application or interpretation of such law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise," we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

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

Our controlling shareholders may take actions that are not in, or may conflict with, our best interests or the best interests of our creditors, including the holders of the Notes.

As of the date of this offering memorandum, our controlling shareholder, Mr. Wu, through Joy Bright Investments Limited, beneficially owned approximately 50.76% of our issued share capital as well as share options to subscribe for approximately an additional 0.08% of our issued share capital. Mr. Wu is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of Mr. Wu may not be consistent with our interests or those of our creditors, including the

holders of the Notes, and Mr. Wu may cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

We may not be able to successfully expand our business to other provinces in China.

Our property development experience has been limited to Henan. While we intend to continue to execute a provincial and regional strategy, we may also selectively expand to other provinces when suitable opportunities arise. The property markets of other provinces may differ from that of Henan in terms of, among other factors, economic development, zoning, topography, culture, regulatory practices, the business practices and availability of suppliers and contractors, pricing, land acquisition procedures, the availability of bank financing for property developments, the availability of mortgages and customer tastes, behavior and preferences. Accordingly, our experience in Henan may not be transferable to other provinces, and we may be at a competitive disadvantage compared to property developers with a more established presence in such markets. An unsuccessful expansion into new markets may materially and adversely affect our business, prospects, financial condition and results of operations.

We are required to provide guarantee on return in respect of certain trust financings.

From time to time, CCRE China entered into strategic cooperation agreements with Bridge Trust to establish the Bridge Trust – CCRE Real Estate trusts. In 2015, CCRE China entered into a strategic cooperation agreement with Bridge Trust, under which Bridge Trust established the Bridge-CCRE Trust V with the trust capital of RMB550 million. We obtained a term loan from Bridge-CCRE Trust V. We cannot assure you that investment yields of the Bridge-CCRE Trust V can achieve the minimum trust returns as provided under the respective agreement and in such case we may need to incur additional expenses to make up such difference which might adversely affect our business, prospects, financial condition and results of operations. See "Description of Other Material Indebtedness – Other PRC Loans – Bridge-CCRE Trust V" for more information.

CapitaLand may lower its shareholding in our Company.

As of the date of this offering memorandum, CapitaLand held approximately 24.10% of our issued share capital, and CapitaLand is currently our second largest shareholder. Two appointees from CapitaLand sit on our board of directors as non-executive directors, and CapitaLand is also represented on our audit committee and our strategic and investment committee. On May 16, 2008, CapitaLand China and CapitaLand Cayman entered into a deed of non-competition undertaking with us with respect to CapitaLand's activities in China. See "Our Relationship with CapitaLand." We cannot assure you that CapitaLand will not decrease its shareholding in our Company, in which case the non-competition undertakings may lapse and we may not be able to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

We have not fully paid social insurance premiums for all employees, which may lead to the imposition of fines and penalties and adversely affect our business.

In accordance with relevant PRC national labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for the benefit of our employees. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums for all employees in the PRC. The turnover rate of our employees is high and there are significant practical difficulties in completing the necessary social security registration within the short period of their employment. We may be required by the relevant PRC authorities to make such outstanding payments in the future. If this occurs, and if we fail to make such payments within the time period specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on us. There can be no assurance that we will not be ordered to rectify any of these incidents of noncompliance in the future.

Any default under any of our financing arrangements may result in enforcement actions and adversely affect us, our reputation and the trading price of our securities.

In 2012, we obtained a waiver from the holders of our 2010 Notes of certain defaults under our 2010 Notes that resulted from transactions that were not permitted under the 2010 Indenture, including investments that were not in compliance with the limitation on restricted payments and affiliate transactions with respect to which we did not provide the required fairness opinions. We redeemed the 2010 Notes in full in June 2013.

While we have taken steps to improve our compliance function, such as establishing a covenant compliance team, we cannot assure you that defaults under our financing arrangements may not occur again in the future. Any occurrence of defaults in the future may require us to seek consent of the relevant parties or repay the relevant financing or financings. Any such unscheduled repayment or the cost and management resources required to obtain such consent could adversely affect our business, prospects, financial condition and results of operations. Any failure to repay such financing or to obtain such consent could result in enforcement action, adversely affecting our financial condition. In addition, the market may view any defaults unfavorably as they may suggest that we do not have adequate corporate governance. Ineffective corporate governance or a perception of ineffective corporate governance may result in a loss of investor confidence in us generally, which in turn could harm our business and negatively impact the trading price of our securities.

Risks Relating to the Property Industry in the PRC

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC.

Our business is subject to extensive governmental regulation. We are required to comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, mortgage financing, taxation and foreign investment and property purchase restrictions. In recent years, in response to concerns over the scale of the increase in property investment and the potential overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including, among other things:

Regarding land usage:

- 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-sized units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- suspending or restricting land grants and development approvals for luxury homes and larger-sized units; and

- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more.

Regarding loan financing:

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a GFA of 90 sq.m. or more, effective from June 1, 2006; increasing the minimum amount of down payment to 40% of the purchase price of the second or subsequent residential property and the interest rate of mortgage loans to 1.1 times the then benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans, effective from September 27, 2007;

- increasing the minimum amount of down payment to 50% of the purchase price for the multiple residential properties bought with a loan, effective from April 17, 2010. Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who purchase multiple residential properties. Effective from September 29, 2010, Chinese banks are also required to stop providing mortgage loans for the third or subsequent residential property temporarily and refuse to provide mortgage loans to non-local mortgage loan applicants who cannot provide proof of one year or above of local tax payment record or social security payment record;

- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties and prohibiting the commercial banks from granting new project loans to property developers that hold idle land or that have participated in speculative land dealing; prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and prohibiting commercial banks from making additional loans based on the increased value of the underlying property prior to the full repayment of an existing loan; and

- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks.

Regarding foreign investment:

- requiring that at least 50% of the total project investment must be in the form of registered capital for newly established foreign-invested property development companies with total investments of US$10 million or more, effective July 11, 2006; and

- prohibiting foreign-invested property development companies that obtained approval certificates from and registered with the PRC Ministry of Commerce (“MOFCOM”) on or after June 1, 2007 from incurring any overseas loans, promulgated on July 10, 2007.

Regarding tax measures:

- imposing a business tax levy on the entire sales proceeds from resale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented in 2005; such business tax was reduced during the period from January 1, 2009 to December 31, 2009; if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas if the holding period is shorter than two years, business tax based on the basis of price difference between the transfer income and original price for transfer of ordinary residences shall be paid;

- increasing the annual tax rate on urban land use rights from RMB0.5 – 10 to RMB1.5 – 30 per sq.m. for metropolitan areas depending on the location and type of use, and requiring foreign investment enterprises using urban land, for the first time, to pay a tax on urban land use from January 1, 2007; and

- imposing or increasing taxes on short-term gains from second-hand property sales.

Regarding payment of land premiums:

- requiring property developers to pay the land premium for the entire parcel of land under the land grant contract in full before they earn land use rights certificates and commence development of the land, effective November 1, 2007; and

- requiring that the minimum down payment for land premium to be 50% and requiring the land premium to be fully paid within one year after the signing of a land grant contract, effective November 18, 2009, subject to limited exceptions.

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 home purchases with a minimum lending interest rate of at least 110% of 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, launching new real estate tax schemes in certain cities such as Chongqing and Shanghai on a trial basis, 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 but not limited to Zhengzhou had promulgated measures further limiting the number of residential properties a single household is allowed to purchase. In May 2011, the PRC government adopted new policies requiring the sale of commodity houses to mark prices on a per unit basis and the public disclosure of all relevant fees to be charged and other details relating to the sale price of such units. In August 2011, MOHURD listed five criteria for the implementation of home purchase restrictions: (i) cities where property prices have risen more rapidly based on the property price index report of 70 cities published in June 2011 by the China Statistics Bureau; (ii) second-or third-tier cities where property prices have seen a sharp rise in June 2011 with prices at the end of 2010 used as the benchmark; (iii) cities where property transaction volumes in the first half of 2011 increased faster than in the first half of 2010; (iv) cities neighboring those where home purchase restrictions have been implemented and those with a higher proportion of non-local resident home buyers; and (v) cities whose residents complain about the overly high or fast-rising property prices or inefficiency of the current control measures. Furthermore, in order to further cool down the property market, in the second half of 2011 the PRC government extended home purchase restrictions to second-and third-tier cities in addition to the 40-plus first-and second-tier cities which have already adopted home purchase restriction measures. Second-and third-tier cities with high housing prices which meet two of the above-mentioned five criteria issued by the MOHURD may be required to impose home purchase restriction measures. On February 26, 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation 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) with a view to upholding the regulation of the real estate market in 2013 and promoting a stable and healthy development of the real estate market. Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. For instance, most of the local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property; and (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, PBOC, CBRC and MOHURD

jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. In February 2016, SAT and MOF jointly issued a circular to further adjust downward the deed tax and business tax payable for real estate tractions. Since September 2016, certain local governments issued notices to resume implementing housing purchase restriction measures for the purpose of the sustainable development of the local real estate market. In October 2016, Zhengzhou has issued new property market control policies, which included restoring the restrictions on purchases of residential properties. See "Regulation – Measures on stabilizing housing prices." These measures to stabilize the real estate markets have led to reduction in investment and profit in much of the real estate industry and have adversely affected our business and operations. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government has announced that it may impose a broader real estate tax in the future. We are not sure whether and when such tax will be imposed and neither can we assess the adverse impact of the new tax on our business operations and financial results. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

The PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, MOFCOM and the State Administration of Foreign Exchange ("SAFE") jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real

Estate Sector in the PRC(關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to luxury properties should be strictly controlled;

- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;

- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

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

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds.

In May 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (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). In April 2013, SAFE issued the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007.

As a foreign-invested PRC property developer, we are subject to these notices. We intend to repatriate to China offshore funds that we may raise in this offering by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. However, we cannot assure you that we will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, or that we will be able to obtain in a timely manner, if at all, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to repatriate to China the funds raised in this offering. If we fail to repatriate to China any or all of the net proceeds raised in this offering, our liquidity and our ability to fund and expand our business could be materially and adversely affected.

In addition, any capital contributions made to our operating subsidiaries in China are also subject to the foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with a circular with respect to the Administration of Conversion of Foreign Exchange Capital Contribution of Foreign Invested Enterprises into Renminbi (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) promulgated by SAFE in August 2008, unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Effective on June 1, 2015, the aforesaid circular were repealed by the Circular on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular No. 19, issued by SAFE in March 2015, which stipulates that the voluntary settlement of foreign exchange capital funds for foreign invested enterprises will be implemented. On June 9, 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (關於改革和規範資本項目結匯管理政策的通知), or Circular 16, to further reform foreign exchange capital settlement nationwide. As new regulations, Circular No. 19 and Circular 16 will be subject to interpretation and application by the relevant PRC government authorities. Pursuant to this offering memorandum, we may encounter difficulties in increasing the capital contribution to our project companies and subsequently converting

such capital contribution into Renminbi for equity investment or acquisition in China. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We are heavily dependent on the performance of the property market in China, which is at a relatively early stage of development.

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

The lack of a liquid secondary market for residential real estate may discourage investors from acquiring new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for property development.

Increase in resettlement costs and the inability to reach resettlement agreements associated with certain property developments may materially and adversely affect our business, prospects, financial condition and results of operations.

Land parcels acquired by property developers for future development may have existing buildings or other structures or 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 any delay due to the inability to reach a resettlement agreement, our business, prospects, financial condition and results of operations may be materially and adversely affected.

There is a lack of reliable and updated information on property market conditions in Henan and in the PRC generally.

We are subject to property market conditions in the PRC generally and, in particular, in Henan. Currently, reliable and up-to-date information on the amount and nature of property development and investment activities, the demand for such development, the supply of new properties being developed or the availability of land and buildings suitable for development and investment is not generally available in the PRC and in Henan. Consequently, our investment and business decisions may not

always have been, and may not in the future be, based on accurate, complete and timely information. Inaccurate information may adversely affect our business decisions, which could materially and adversely affect our business, prospects, financial condition and results of operations.

Risks Relating to the PRC

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, prospects, financial condition and results of operations.

Substantially all of our business and operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, prospects, financial condition and results of operations may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are primarily conducted in China and governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulation to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.

The Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33.0% from July 21, 2005 to December 31, 2014. On August 11, 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 August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. In addition, there remains significant international pressure on the PRC government to adopt a more flexible currency policy.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar, the Singapore dollar or other foreign currencies, in which case our financial condition and results of operations could be adversely affected because of our substantial foreign-currency-denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted to U.S. dollars, Singapore dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

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

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

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

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

It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. Our PRC legal adviser has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, or SARS, and swine flu caused by H1N1 virus, or H1N1 flu, may materially and adversely affect our business, financial condition and results of operations. In 2009, there were reports on the occurrences of H1N1 flu in certain regions of the world, including the PRC where we operate our principal business. More recently, human infections of the latest avian influenza strain, H7N9 flu, have begun to appear in different regions in China, including Henan, where our operations are primarily located. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business.

Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business.

There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu, H7N9 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu, H7N9 flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations.

Risks Relating to the Notes

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries (including all our PRC subsidiaries) and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2018, our PRC subsidiaries had bank and other loans in the amount of approximately RMB5,648.9 million (US$821.6 million), capital commitments in the amount of approximately RMB67,978.5 million (US$9,887.1 million) and contingent liabilities arising from guarantees in the amount of approximately RMB34,576.9 million (US$5,029.0 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary 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 (other than the Collateral).

Under the terms of the Notes, a limited-recourse guarantee, or JV Subsidiary Guarantee, may be provided in lieu of a Subsidiary Guarantee following our sale or issuance to a third party of a 20% to 49.9% equity interest in a subsidiary or following our purchase of a 50.1% equity interest in a third party (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, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We have significant indebtedness outstanding. As of December 31, 2018, our consolidated current bank loans, other loans, corporate bonds and senior notes and our consolidated non-current bank loans, other loans, corporate bonds and senior notes amounted to approximately RMB5,346.0 million (US$777.5 million) and RMB14,505.3 million (US$2,109.7 million), respectively. In addition, as of December 31, 2018, our capital commitments (including capital commitments of joint ventures attributable to the Group) were approximately RMB68,688.2 million (US$9,990.3 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Commitments."

In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness. Although the Indenture limits us and our subsidiaries from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to the holders of the Notes. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry condition;
- require use to dedicate a substantial portion of our cash flow from operations to servicing and repaying indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;

- limit our flexibility in planning for or reacting to changes in the businesses and the industry in which we operate;

- place us at a competitive disadvantage compared to our competitors that have less debt;

- limit, along with the financial and other restrictive covenants of our indebtedness, 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 (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. Because our definition of Consolidated Interest Expense is net of our interest income and only includes interest payable by the Company or any Restricted Subsidiary if such interest accrues on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenants do not typically offset interest income in the calculation of their respective 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.

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

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

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

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

We pay dividends to our shareholders or redeem our common stock from time to time. Under the Indenture and the indentures governing our outstanding senior notes, any such dividend payment or repurchase 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 of our outstanding senior notes, we may pay dividends on

our common stock or redeem our common stock in an aggregate amount up to 30% of our consolidated profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends or redeem a substantial amount of our common stock even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- 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.

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

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

of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements 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 equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) 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 and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. 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. These restrictions could have a negative impact on the calculation of our Consolidated EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under debts, including the Notes.

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. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to a circular issued by the SAT in October 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy 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, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

We must offer to purchase our outstanding senior notes upon the occurrence of a change of control triggering event and purchase the Notes upon the occurrence of a change of control, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of Other Material Indebtedness" and "Description 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 sufficient available funds at the time of the occurrence of any Change of Control to make purchases of our outstanding senior notes or the Notes. Our failure to make the offer to purchase or to purchase our outstanding senior notes or the Notes would constitute an Event of Default under our outstanding senior notes and the Notes, respectively. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to satisfy our obligations under our outstanding senior notes or the Notes and repay the debt.

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

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

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although application has been made to the SGX-ST 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 Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not

subject to or exempt from registration under the Securities Act. See the section entitled "Transfer Restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

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

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a "connected transaction" exceeding the applicable de minimis value thresholds will require prior approval of the independent shareholders of such listed company. However, the "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes does not capture transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. 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 officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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 revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the 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, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, which might be material to 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.

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

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

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

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 notes 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. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes 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 notes representing the Notes and credited by such participants to indirect participants. After payment to Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in the Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.

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

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

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

Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that may be organized under the laws of PRC, or are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. In addition, certain of our non-PRC subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the Notes, if the consolidated assets of all these non-PRC subsidiaries (other than the Exempted Subsidiaries) do not exceed 25% of our total assets, or if the applicable law or regulation does not allow such guarantee or pledge. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the Non-Guarantor Subsidiaries, including our PRC subsidiaries. See "Description of the Notes – The Subsidiary Guarantees and JV Subsidiary Guarantees." Moreover, the charge over the shares of the offshore subsidiaries of the Company (the "Collateral") will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our

financial obligations under the Notes if we are unable to do so. See "– Risks Relating to the Notes – We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

The holders of our outstanding senior notes, the lenders under the 2017 Facility and the holders of any future permitted *pari passu* secured indebtedness have a right to share any security interests, guarantees, indemnities and other arrangements that the Company creates or permit to subsist in respect of any debt securities issued thereafter. Therefore, unless such right is waived, any future Subsidiary Guarantees that guarantee the Notes may have to be shared with our outstanding senior notes and the 2017 Facility any future permitted *pari passu* secured indebtedness, which may further decrease the funds available to satisfy our financial obligations under the Notes.

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, or a purchase from a third party of a majority interest, in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). 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.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 25% of the our total assets.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, 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:

- 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 the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. 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 properties 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 debts as they became absolute and matured.

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

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor 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 voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds 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 (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been 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 Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the section entitled "The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees" above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

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

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in the JV Subsidiary Guarantors (if any). 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 ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of 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 its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor or JV Subsidiary Guarantor is likely to be illiquid and is unlikely to have a 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.

In addition, the Collateral will be shared on a *pari passu* basis by the holders of the Notes and the lenders of certain other indebtedness such as our outstanding senior notes and the lenders under the 2017 Facility and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. 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 such secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes, our outstanding senior notes and the 2017 Facility and the subsidiary guarantees of the Subsidiary Guarantor Pledgors for the Notes, our outstanding senior notes and the 2017 Facility and other *pari passu* indebtedness secured by the Collateral, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes or other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

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

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

If so instructed by the holders of the Notes, our outstanding senior notes or the lenders under the 2017 Facility or the holders of other permitted *pari passu* secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Global Security Agent is required to take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

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

In addition, the Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes and the holders of our outstanding senior notes and the lenders under the 2017 Facility. The Global Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, our outstanding senior notes or the lenders under the 2017 Facility, unless such holders have offered to the Global Security Agent indemnity and/or security satisfactory to the Global Security Agent against any loss, liability, cost or expenses.

Further, under the Intercreditor Agreement, although the Trustee is entitled to give instructions to the Global Security Agent to enforce the Collateral, in the event that there is any conflicting instruction from another creditor representative which is entitled to so instruct the Global Security Agent, the Global Security Agent will only enforce the Collateral upon receiving written instructions from creditors subject to the Intercreditor Agreement that represent more than 50% of the aggregate principal amount of the related secured liabilities outstanding at such time. Such written instructions from such majority creditors may be in conflict with the written instructions from the Trustee and may conflict with the interests of the holders of the Notes.

If an Event of Default occurs under the Notes, our outstanding senior notes, the 2017 Facility or other permitted *pari passu* secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Global Security Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

USE OF PROCEEDS

We intend to use the proceeds mainly for refinancing existing indebtedness.

We may adjust our plans based on our business needs and changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions").

EXCHANGE RATE INFORMATION

PRC

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. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

On May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that 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 PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon buying rate			
	Low	Average[(1)]	High	Period End
	(RMB per US$1.00)			
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.9430	6.6400	6.9580	6.4480
2017	6.4773	6.7350	6.9575	6.5063
2018	6.2649	6.6079	6.9737	6.8755
July	6.6123	6.7164	6.8102	6.8038
August	6.8018	6.8453	6.9330	6.8300
September	6.8270	6.8551	6.8880	6.8680
October	6.8680	6.9191	6.9737	6.9737
November	6.8894	6.9367	6.9558	6.9558
December	6.8343	6.8837	6.9077	6.8775
2019				
January	6.6958	6.7863	6.8708	6.7863
February	6.6822	6.7367	6.7907	6.6912
March (through March 29, 2019)	6.6916	6.7119	6.7381	6.7112

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

The following table sets forth the exchange rate of the H.K. dollar against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

	Noon buying rate			
Period	**Low**	**Average[(1)]**	**High**	**Period end**
	(HK$ per US$1.00)			
2014	7.7495	7.7554	7.7669	7.7531
2015	7.7495	7.7519	7.7686	7.7507
2016	7.7505	7.7620	7.8270	7.7534
2017	7.7540	7.7950	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8316
July	7.8439	7.8477	7.8493	7.8484
August	7.8482	7.8492	7.8499	7.8486
September	7.8080	7.8364	7.8496	7.8259
October	7.8260	7.8375	7.8433	7.8393
November	7.8202	7.8286	7.8365	7.8244
December	7.8043	7.8194	7.8321	7.8305
2019				
January	7.8308	7.8411	7.8463	7.8463
February	7.8460	7.8477	7.8496	7.8496
March (through March 29, 2019)	7.8466	7.8491	7.8499	7.8498

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated borrowings and capitalization as of December 31, 2018:

– on an actual basis;

– as adjusted as of December 31, 2018 to give effect to the issue of the Notes in this offering without taking into account and before deduction of underwriting discounts and commissions and estimated offering expenses.

The following table should be read in conjunction with our published audited consolidated financial statements and related notes for the year ended December 31, 2018 included in this offering memorandum.

The following table does not give effect to any actual or planned use of proceeds from the issue of the Notes.

	As of December 31, 2018			
	Actual[6]		As adjusted[6]	
	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Short-term borrowings[1]				
Bank loans due within one year or on demand	1,756,130	255,419	1,756,130	255,419
Other loans due within one year	593,150	86,270	593,150	86,270
Senior notes within one year	–	–	–	–
Corporate bonds due within one year or on demand	2,996,760	435,861	2,996,760	435,861
Total short-term borrowings	5,346,040	777,550	5,346,040	777,550
Long-term borrowings[2][3]				
Bank loans	4,074,351	592,590	4,074,351	592,590
Other loans	240,030	34,911	240,030	34,911
Senior notes	10,190,829	1,482,195	10,190,829	1,482,195
Notes to be issued [4]	–	–	2,045,118	297,450
Total long-term borrowings	14,505,210	2,109,696	16,550,328	2,407,146
Total equity	10,269,784	1,493,678	10,269,784	1,493,678
Total capitalization[5]	24,774,994	3,603,374	26,820,112	3,900,824

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) As of December 31, 2018, our consolidated capital commitments (including capital commitments of joint ventures attributable to the Group) were RMB36,718.3 million (US$5,340.5 million) and our contingent liabilities amounted to approximately RMB29,523.0 million (US$4,293.9 million). See "Management's Discussion and Analysis of Financial Conditions and Results of operations, Capital Commitments" and "– Contingent Liabilities."

(4) The aggregate principal amount of the Notes, without taking into account and before deduction of underwriting commissions and fees and estimated expenses, is US$297.5 million.

(5) Total capitalization includes total long-term borrowings plus total equity.

(6) Amount in Renminbi has been translated into U.S. dollar, and vice versa, for convenience only at the exchange rate of RMB6.8755 to US$1.00 based on the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2018.

Subsequent to December 31, 2018, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes and repaid some of our borrowings. On January 29, 2019, we have issued the January 2019 Notes. See "Description of Material Indebtedness – January 2019 Notes" for details. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization and indebtedness since December 31, 2018.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected financial information. The selected consolidated financial information as of and for each of the years ended December 31, 2016, 2017 and 2018 has been derived from our published audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 included in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS. There are certain new HKFRSs and amendments to HKFRSs adopted by the Company since January 1, 2018. In preparing the consolidated financial statements of the Company for the year ended December 31, 2018, the Group has adopted HKFRS 9, *Financial Instruments* and HKFRS 15, *Revenue from Contract with Customers* and has not restated prior years' consolidated financial statements. Therefore, the consolidated financial statements of the Company for the year ended December 31, 2018 may not be comparable to the audited consolidated financial statement for the years ended December 31, 2016 and 2017.

The selected financial information below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Selected Consolidated Income Statement and Other Financial Data

	For the year ended December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Revenue	9,495,022	13,879,207	14,783,480	2,150,168
Cost of sales	(7,202,155)	(10,598,430)	(9,692,377)	(1,409,698)
Gross profit	2,292,867	3,280,777	5,091,103	740,470
Other revenue	228,696	106,810	234,854	34,158
Other net income	17,600	258,358	64,192	9,336
Selling and marketing expenses	(478,899)	(697,149)	(1,188,393)	(172,845)
General and administrative expenses	(808,433)	(1,087,227)	(1,552,404)	(225,788)
Other operating income	43,037	48,627	–	–
Impairment losses on trade and other receivables, including contract assets	–	–	(54,623)	(7,945)
Profit from operations	1,294,868	1,910,196	2,594,729	377,386
Share of profits less losses of associates	(1,160)	(4,422)	(17,905)	(2,604)
Share of profits less losses of joint ventures	107,386	198,943	15,638	2,274
Finance costs	(400,806)	(408,051)	(226,152)	(32,892)
Profit before change in fair value of investment properties and income tax	1,000,288	1,696,666	2,366,310	344,164
Net valuation gains on investment property	27,223	243,400	605,673	88,091
Profit before taxation	1,027,511	1,940,066	2,971,983	432,255
Income tax	(623,391)	(1,040,784)	(1,556,860)	(226,436)
Profit for the year	404,120	899,282	1,415,123	205,819
Attributable to:				
Equity shareholders of the Company	402,973	811,365	1,154,262	167,880
Non-controlling interests	1,147	87,917	260,861	37,939
Profit for the year	404,120	899,282	1,415,123	205,819
Earnings per share				
– Basic (RMB/US$ cents)	16.50	33.19	44.30	6.44
– Diluted (RMB/US$ cents)	16.50	32.95	43.51	6.33
Other financial data				
EBITDA[(1)]	2,086,066	2,856,450	4,493,683	653,580
EBITDA margin[(2)]	22.0%	20.6%	30.4%	30.4%

Notes:

(1) EBITDA consists of profit before interest income, income tax expense, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. Gross finance costs represented our finance costs excluding "borrowing costs capitalized," and "net change in fair value of derivatives embedded in senior notes". 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

Selected Consolidated Statement of Financial Position Data

	As of December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Non-current assets				
Property, plant and equipment	3,024,802	3,793,340	4,808,494	699,366
Investment property	575,870	1,297,000	2,916,000	424,115
Intangible assets	131,250	204,300	518,008	75,341
Biological assets	–	–	203,946	29,663
Interests in associates	27,168	536,549	449,913	65,437
Interests in joint ventures	6,276,091	9,026,377	9,915,331	1,442,125
Other financial assets	190,080	486,366	651,865	94,810
Deferred tax assets	127,461	100,742	248,318	36,116
	10,352,722	15,444,674	19,711,875	2,866,973
Current assets				
Trading securities	105,868	97,105	82,775	12,039
Biological assets	–	–	32,778	4,767
Inventories and other contract costs	18,026,529	24,341,214	50,315,979	7,318,156
Contract assets	–	–	137,691	20,026
Trade and other receivables	887,613	1,664,421	2,577,140	374,829
Deposits and prepayments	3,161,766	6,554,002	9,161,824	1,332,532
Tax recoverable	610,171	1,016,854	2,160,457	314,225
Restricted bank deposits	1,404,821	2,125,062	3,579,597	520,631
Cash and cash equivalents	9,776,310	11,283,853	14,202,259	2,065,633
	33,973,078	47,082,511	82,250,500	11,962,838
Current liabilities				
Bank loans	514,265	450,118	1,756,130	255,419
Other loans	90,000	90,000	593,150	86,270
Trade and other payables	14,842,040	22,034,089	28,924,187	4,206,849
Receipts in advance	6,832,439	15,087,593	–	–
Contract liabilities	–	–	40,829,626	5,938,423
Corporate bonds	–	–	2,996,760	435,861
Senior notes	960,216	3,890,692	–	–
Taxation payable	1,151,686	1,116,940	833,264	121,193
	24,390,646	42,669,432	75,933,117	11,044,015
Net current assets	9,582,432	4,413,079	6,317,383	918,823
Total assets less current liabilities	19,935,154	19,857,753	26,029,258	3,785,796
Non-current liabilities				
Bank loans	1,851,175	3,437,460	4,074,351	592,590
Other loans	300,000	210,000	240,030	34,911
Payables and accruals	60,000	58,302	–	–
Senior notes	7,662,270	2,986,914	10,190,829	1,482,195
Corporate bonds	2,978,128	4,518,961	–	–
Deferred tax liabilities	86,255	172,947	1,254,264	182,424
	12,937,828	11,384,584	15,759,474	2,292,120
NET ASSETS	6,997,326	8,473,169	10,269,784	1,493,676
CAPITAL AND RESERVES				
Share capital	216,322	216,916	239,958	34,900
Reserves	6,205,741	7,477,757	8,597,132	1,250,401
Total equity attributable to equity shareholders of the Company	6,422,063	7,694,673	8,837,090	1,285,301
Non-controlling interests	575,263	778,496	1,432,694	208,375
TOTAL EQUITY	6,997,326	8,473,169	10,269,784	1,493,676

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

You should read the following discussion in conjunction with the section entitled "Selected Consolidated Financial Information" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum.

Our consolidated financial statements were prepared in accordance with HKFRS. In this section of the offering memorandum, references to "2016" "2017" and "2018" refer to our financial years ended December 31, 2016, 2017 and 2018, respectively.

Overview

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See "– Awards and Certificates." With an operating history of 27 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 30.1 million sq.m. between 1992 and December 31, 2018. Leveraging our experience and brand reputation, we have expanded into 95 cities across Henan, including all 18 prefecture-level cities and 77 county-level cities, as of December 31, 2018.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.1 million registered residents as of December 31, 2008. From 2008 through 2018, Henan's GDP grew from RMB1,801.9 billion to RMB4,805.6 billion, representing a CAGR of 10.3%. From 2008 to 2018, Henan's urbanization rate also grew significantly by 15.7 percentage points, from 36.0% to 51.7%, which was yet at a level considerably below the national urbanization rate of 59.6% in 2018, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicality and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 24.10% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until December 31, 2018, we had completed an aggregate GFA of approximately 30.1 million sq.m. (including GFA which had been sold). As of December 31, 2018, we had a total of 118 projects in Henan in various stages of development, including an aggregate planned GFA of approximately 21.7 million sq.m. of properties under development and an aggregate planned GFA of approximately 24.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates.

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, including internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue, the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes, the 2017 Facility and the Corporate Bonds. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. The following summarizes our main financing methods for our projects:

- ***Internal funds from business operations.*** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which have been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.

- ***Funds raised from capital markets.*** We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US$300 million. In June 2011, we completed the 2011 Rights Issue of 428 million shares of HK$0.1 each, raising net proceeds of approximately HK$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, November 2016, July 2017, March 2018, April 2018 and May 2018, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, and the January 2019 Notes, with principal amounts of S$175 million, US$200 million, US$400 million, S$200 million, US$300 million, US$200 million, US$200 million, US$300 million, US$386 million, S$150 million and US$200 million, respectively. In April 2016, we issued the Corporate Bonds in an aggregate principal of RMB3.0 billion. We used the proceeds from these financing activities to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.

- ***Borrowings from banks and other parties.*** As of December 31, 2018, our outstanding bank borrowings amounted to approximately RMB5,830.5 million (US$848.0 million), of which RMB3,419.7 million (US$497.4 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to continue funding our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from capital markets from time to time.

Key Factors Affecting Our Results of Operations

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of factors and risks, many of which are beyond our control. Please refer to the section entitled "Risk Factors" in this offering memorandum. The key factors affecting our results of operations include the following:

Economic Conditions and Regulatory Environment in the PRC

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in Henan, including:

- continued economic and population growth rate of urbanization in the PRC in general and Henan in particular, as such factors drive the demand for purchase or rental of real estate properties;

- the regulatory and fiscal environment of the PRC affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macroeconomic policies; and

- the performance of Henan's property market, including the supply and demand for real estate properties and pricing trends in the mid-to-high end property segment in the cities in which we operate.

The growth of China's economy has experienced a slowdown as a result of the global economic crisis. The slowdown in economic activities in China has affected and will continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial crisis, there can be no assurance that these actions will be effective. Recent global market and economic conditions, including the credit crisis in Europe, the downgrade of United States debt by S&P, China debt and Japan debt by Moody's and heightened market volatility in major stock markets, have been unprecedented and challenging. If these market conditions continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business, prospects, financial condition and results of operations have also 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 the past few years, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government has introduced policies to restrict development in the property sector. Measures taken by the PRC government to control money supply, credit availability and fixed assets investment also have a direct impact on our business, prospects, financial condition and results of operations. Demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time.

In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Since late 2009, the PRC government has 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. In 2010 and 2011, the PRC government adopted certain new policies to cool down the real estate market. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve

requirement ratio and reducing benchmark lending rates. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing. Since the second half of 2014, the central and local governments have implemented measures to support the demand of residential properties and to promote the sustainable development of the real estate market. For instance, many local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. In September 2014, PBOC and CBRC jointly issued a circular which provides that (1) the minimum mortgage loan interest rate for first time purchasers of residential property is set at 70% of the benchmark lending interest rate; (2) where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential properties; and (3) in cities that have lifted restrictions on the purchase of residential properties by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet certain conditions. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. On June 9, 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement（關於改革和規範資本項目結匯管理政策的通知）, or Circular 16, to further reform foreign exchange capital settlement nationwide.

The PRC government may further introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See the sections entitled "Regulation" as well as "Risk Factors – Risks Relating to the Property Industry in the PRC – We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC."

Changes in the economic conditions and the regulatory environment in the PRC in general and in Henan in particular may affect the selling prices of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. In light of such changes, we have adopted a more cautious and flexible strategy in land acquisition and pricing. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties for a particular period.

On the other hand, a higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flows for a particular period to enable us to fund the continuing growth of our business.

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. 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 and building equipment have experienced a substantial increase in recent years. We typically enter into construction contracts with state-owned contractors whose credentials tend to be stronger than private contractors. Pursuant to these contracts, contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly obtain good quality and service. During the years ended December 31, 2016, 2017 and 2018, no such contract prices were re-negotiated. However, we are exposed to volatility in labor and construction material prices 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 construction costs increase subsequent to the time of such pre-sale. In addition, as we typically procure building equipment, such as elevators, interior decoration materials and air conditioning systems directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land

In order 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 land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify the competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased the competition for available land as well as resulted in increased land acquisition costs. Furthermore, the PRC government has required a minimum down payment of 50% of the land premium, which is required to be paid within one month of signing the land grant contract. The balance is required to be fully paid within one year of signing the land grant contract, subject to limited exceptions. Such policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Access to and Cost of Financing

A portion of our funding is raised in capital markets. We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009 with a principal amount of HK$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US$300 million. In June 2011, we completed the 2011 Rights Issue raising net proceeds of HK$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, November 2016, July 2017, March 2018, April 2018, May 2018, and January 2019, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018

Notes, and the January 2019 Notes, with principal amounts of S$175 million, US$200 million, US$400 million, S$200 million, US$300 million, US$200 million, US$200 million, US$300 million, US$386 million, S$150 million, and US$200 million respectively. In March 2017, we entered into the 2017 Facility. We used the proceeds of these offerings to fund new projects, repay existing indebtedness and for general corporate uses.

The table below sets forth the structure of our bank borrowings:

	As of December 31, 2018	
	(RMB'000)	(US$'000)
Secured	3,419,705	497,376
Unsecured	2,410,776	350,633
Total	5,830,481	848,009

Borrowing from banks and other parties is an important source of funding for our property developments. As of December 31, 2018, our outstanding bank and other loans, corporate bonds and senior notes amounted to RMB19,851.3 million (US$2,887.3 million). Interest on bank and other loans, corporate bonds and senior notes was RMB1,296.3 million (US$188.5 million) for the year ended December 31, 2018.

Certain portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. As such, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing is affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A large portion of our finance costs are capitalized, 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 projected phase. Our capitalized borrowing costs for the year ended December 31, 2018 was RMB2,074.7 million (US$301.8 million). An increase in our finance costs would negatively affect our profitability and results of operations. Any unavailability of financing would affect our ability to engage in project development activities, which may materially and adversely affect our results of operations.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited, primarily due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, there is normally a period of six months to one year between the pre-sale of, and revenue recognition from, property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates a 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, and no sales revenue is recognized in respect of such property until the later of the signing of the sale and purchase agreement and the completion of the property. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project. Furthermore, our property development projects may be delayed due to our efforts to comply with environmental law and regulations. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Pricing

The prices of our properties are determined by the market forces of supply and demand rather than through state guidance or by state-prescribed pricing. We price our properties by reference to market prices for similar types of properties at comparable locations and the market response to our property launches. The average selling price of our projects therefore depends on the location and mix of properties sold and completed during each fiscal period. In addition, we generally develop and sell our

residential projects in phases. For each development, we generally price subsequent phases higher than the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

Changes in Product Mix

The prices and gross profit margins of our products vary by the location and the type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. In general, properties developed in Zhengzhou incur higher costs than in other cities in Henan Province, primarily due to higher land acquisition costs, but these projects also generate higher revenue and gross profit margin as they reflect the provincial capital's higher living standards. For this reason, as we expand our operations into cities outside of Zhengzhou, our overall profit margins may narrow.

Townhouses usually generate higher profit margin than low-rise and high-rise apartments, as they typically have lower development costs and higher selling prices per square meter. In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. We also develop commercial properties, which generally have higher profit margin than residential properties. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time, and time our project launches according to our development plans.

Change in Fair Value of our Investment Properties

Our investment properties primarily consist of schools, kindergartens, retail and commercial units and parking spaces in our property projects. In accordance with HKAS 40, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

For the years ended December 31, 2016, 2017 and 2018, we recorded upward fair value adjustments of approximately, RMB27.2 million, RMB243.4 million and RMB605.7 million (US$88.1 million), respectively, on our investment properties.

Pre-sales

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the specific pre-sale proceeds to develop the project that has been pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number of our properties that are available for pre-sale. A restriction on our ability to engage in the pre-sales of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs. This could have an adverse effect on our ability to finance our continuing property developments and 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 operation, are set forth in detail in notes 1 and 2 to our published audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 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.

Revenue Recognition

Revenue consists primarily of the proceeds from property development, comprising property sales, property leasing and construction, after the elimination of inter-company transactions and excluding business tax and other sales-related taxes.

Revenue recognition for the year ended December 31, 2018

Revenue from the sale of property is recognized when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. When the customer simultaneously receives and consumes the benefits provided by the Company's performance, as the Company performs; or when the Company's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or when the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, in which control of the promised good or service is regarded as being transferred over time. Otherwise, the Company recognizes revenue for the sale of property at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Revenue arising from property leasing is recognized in our income statement in equal installments over the periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in our income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

When the outcome of a construction contract can be estimated reliably, revenue from the contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bears to the estimated total costs of the contract.

Revenue recognition for 2016 and 2017

Revenue from the sale of a property is recognized when the significant risks and rewards of ownership of the property are transferred to the purchaser, which occurs upon the latter of the execution of the relevant sale contract and the completion of the property (which is deemed to occur upon receipt of the completion certificate), provided the collectability of the related receivable is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities in our consolidated balance sheet as receipts in advance.

Revenue arising from property leasing is recognized in our income statement in equal installments over the periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in our income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

When the outcome of a construction contract can be estimated reliably, revenue from the contract is recognized by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bears to the estimated total costs of the contract.

Development Costs

During construction, development costs of properties to be sold are recorded under properties for sale in our balance sheet as properties under development for sale and are transferred to our income statement upon recognition of the revenue from the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by us in amounts based on management estimates.

When developing properties, we typically divide a development project into phases. Costs directly related to the development of a particular phase are recorded as costs of that phase. Costs that are common to phases are allocated to individual phases in proportion to the saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Properties for Sale

Properties for sale consist of (i) properties held for future development and under development for sale and (ii) completed properties held for sale. Properties for sale remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Cost of inventories comprises aggregate cost of development, the costs of obtaining land use rights, and capitalized borrowing costs. Net realizable value of properties for sale is determined by reference to, and by management's estimates of, the expected selling prices based on the proceeds from other properties sold in the ordinary course of business, less the estimated costs to be incurred in selling the properties based on prevailing marketing conditions and, in the case of properties under development, the anticipated costs to completion.

Provision for Properties for Sale

Our properties for sale are stated at the lower of cost and net realizable value. Based on our recent experience and the nature of the subject properties, we make estimates of the selling prices, the costs of completion for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment Provision for Buildings and Construction in Progress

We make impairment provision for the buildings and construction in progress, which mainly represent our hotel properties, taking into account our estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Investment Properties

Our investment properties comprise land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. We record our investment properties as non-current assets on our balance sheet at their fair value.

All of our investment properties were revalued as of December 31, 2016, 2017 and 2018 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

Income Tax

We are subject to income tax, including LAT on property development projects in the PRC and CIT in the PRC and other jurisdictions. We use significant judgment in determining the provisions for income tax, as the calculations of such provisions depend on estimates of the ultimate tax determinations and regulatory developments and are therefore subject to uncertainty.

LAT

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value as defined by relevant tax laws. Some of our properties were subject to LAT levied at a rate ranging from 1.5% to 4.5% prior to May 2010, as set by the relevant tax authority using the authorized taxation method. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our income statement together with the recognition of revenue from the sale of our properties. Because at the time we recognize revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. See "Regulation – Major Taxes Applicable to Property Developers" and "Risk Factors – Risks Relating to our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations."

Deferred Tax

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax assets in respect of tax losses carried forward are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantially enacted at the end of the accounting reporting period. Future taxable profits that may support the recognition of deferred assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same tax authority and the same taxable entity and are expected to be reversed either in the same period as the expected reversal of the deductible temporary difference or in periods

into which a tax loss arising from the deferred tax asset can be carried back or forward. In determining the carrying amounts of deferred assets, we estimate future taxable profits, which involves a number of assumptions relating to the operating environment and requires a significant level of judgment. Any change in these assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized, and hence our net profit, in future years.

2009 Convertible Bonds with Warrants

The 2009 Convertible Bonds with Warrants were issued with detachable warrants and were subsequently redeemed in full in August 2014. Where the convertible bonds can be converted to equity share capital at the option of the holder, the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, and where the warrants issued by us will be settled by exchange of the warrants and fixed amount of cash or another financial asset for a fixed number of our own equity instruments, convertible bonds with detachable warrants are accounted for as compound financial instruments, which contain a liability component and an equity component.

At initial recognition the liability component is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option and warrants. Any excess of proceeds over the amount initially recognized as liability component and derivative financial instruments is recognized as the equity component.

Transaction costs that relate to the issue of the convertible bonds with detachable warrants, are allocated to the liability component and equity component and derivative financial instruments in proportion to allocation of proceeds. The portion of the transaction costs relating to the liability component and equity component is recognized initially as part of the liability and equity respectively.

The liability component is subsequently carried at amortized cost. The interest expense recognized in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognized in the capital reserve until either the convertible bonds are converted or redeemed.

Senior Notes

The 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes and the January 2019 Notes were issued with early redemption clause at our option. At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments. These derivative financial instruments are remeasured at fair value at the end of each accounting reporting period and the gain or loss to fair value on remeasurement is recognized immediately in profit or loss under "Finance Costs." Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

Selected Income Statement Items

Revenue

Revenue represents income that arises in the course of our ordinary activities, net of business tax, after eliminating intra-group transactions. We derive substantially all of our revenue from property sales, with a small portion derived from property leasing, hotel operations and project management service. We have included income derived from the sales of parking spaces in our projects in our revenue, but have excluded the parking spaces from the total GFA sold and recognized. As a result, the average selling price of our properties would have been slightly lower had the GFA of the parking spaces been included in the total GFA sold and recognized. The table below sets forth revenue attributable to each of our business segments for the periods indicated:

	For the year ended December 31,						
	2016		2017		2018		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Property sales	9,119,947	96.1	13,210,985	95.2	13,629,185	1,982,283	92.2
Property leasing	94,537	1.0	94,930	0.7	146,922	21,369	1.0
Hotel operations	241,514	2.5	265,530	1.9	284,628	41,397	1.9
Project management service fee income	39,024	0.4	307,762	2.2	675,266	98,213	4.6
Others	–	–	–	–	47,479	6,906	0.3
Total	9,495,022	100.0	13,879,207	100.0	14,783,480	2,150,168	100.0

Property Sales

We derive substantially all of our revenue from residential and commercial property sales, and our results of operations for a given period depend upon the type and GFA of our properties available for sale, the market demand for those properties and the selling prices of such properties during that period. Conditions of the property markets in which we operate change from period to period and are affected by economic, political and regulatory developments in the PRC in general and Henan in particular. See "– Key Factors Affecting Our Results of Operations."

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 Process – Pre-sale." In general, there is a time difference, typically ranging from six months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of our properties until such properties are completed, even though we receive payments at various stages prior to completion. Before the completion of a pre-sold property, payments received from purchasers are recorded as receipts in advance, which is a current liability on our consolidated balance sheet. Following completion of a pre-sold property, we recognize the revenue while eliminating the liability from our balance sheet and recognizing an increase in shareholders' equity. As our revenue from sales of properties are recognized upon the completion of properties, the timing of such completion may not only affect the amount of the revenue from our property sales but also cause changes in trade and other payables and accruals to fluctuate from period to period. For more information, see "Risk Factors – Risks Relating to Our Business – Our results of operations fluctuate from period to period."

For the years ended December 31, 2016, 2017 and 2018, revenue from property sales was RMB9,119.9 million, RMB13,211.0 million and RMB13,629.2 (US$1,982.3 million), respectively. The GFA sold for the corresponding period was 1,738,628 sq.m., 2,329,226 sq.m. and 1,871,076 sq.m., respectively.

Property Leasing

Our revenue from property leasing represents recurring income from our investment properties and completed properties, which has historically been generated from the rental of kindergarten and school facilities, retail and commercial units and parking spaces and was generally recognized in our income statement in equal installments over the periods covered by the respective lease terms. For the years ended December 31, 2016, 2017 and 2018, revenue from property leasing was RMB94.5 million, RMB94.9 million and RMB146.9 million (US$21.4 million), respectively.

Hotel Operations

A small portion of our revenue was generated from hotel operations. As of December 31, 2018, we had seven hotels in operation of which two of them commenced operation in 2018. See "Business – Hotel Development." Our revenue generated from hotel operations is recognized on a basis that reflects the timing, nature and value when relevant services were provided. We started recognizing revenue from hotel operations in 2012, with a revenue from hotel operations of RMB241.5 million, RMB265.5 million and RMB284.6 million (US$41.4 million) for the years ended December 31, 2016, 2017 and 2018, respectively.

Project Management Service Fee

In 2017, we derived a increasing portion of our revenue from project management service. Project management service fee income was generated from management fee for light-asset projects. For the years ended December 31, 2016, 2017 and 2018, revenue from project management service fee was RMB39.0 million, RMB307.8 million and RMB675.3 million (US$98.2 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 for our property development business is the cost of properties sold, which includes construction and development costs, land acquisition costs and capitalized borrowing costs during the period of construction. The table below sets forth information relating to the cost of properties sold for the periods indicated:

	For the year ended December 31,						
	2016		2017		2018		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Construction & development costs	4,729,793	65.6	7,313,766	69.0	6,833,517	993,894	70.5
Land acquisition costs	1,884,756	26.2	2,420,434	22.8	2,253,532	327,763	23.3
Capitalized borrowing costs	350,931	4.9	651,386	6.2	486,515	70,761	5.0
Others	236,675	3.3	212,844	2.0	118,813	17,280	1.2
Total	7,202,155	100.0	10,598,430	100.0	9,692,377	1,409,698	100.0

Construction and development 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. Construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a major cause of fluctuations in our construction costs. Pursuant to contracts with such contractors, the contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for the workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. Price movements of other supplies which we typically procure ourselves, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future, which in turn will increase our construction costs.

Land acquisition costs include costs relating to the acquisition of rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the PRC government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our land acquisition costs are influenced by a number of factors, including the location of the property, the timing of the acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a particular project. We are required under HKFRS to capitalize such borrowing costs until a project generates cash flow sufficient to cover its own project costs, at which point borrowing costs are no longer capitalized for that project. In general, we capitalize borrowing costs incurred from the commencement of the planning and design of a project, which predates the receipt of a permit for commencement of construction work, until the physical completion of construction. For any given project, borrowing costs incurred after completing the construction of a project are not capitalized but are instead accounted for in our income statements as finance costs in the period in which they are incurred. Where the duration of a loan is longer than the time to completion of the project, we are unable to capitalize the total interest costs related to the project for the period after completion. Fluctuations in the amount and timing of capitalization from period to period will affect our finance costs.

Other Revenue

Other revenue consists primarily of interest income and dividend income from certain unlisted equity securities.

Other Net Income/(loss)

Other net income/(loss) consists primarily of net realized and unrealized gain/(loss) on trading securities, on disposals of property, plant and equipment, on disposal of subsidiaries and gain on deemed disposal of a joint venture and net exchange gain or loss.

Selling and Marketing Expenses

Selling and marketing expenses include advertising and promotional expenses relating to the sale and leasing of our properties, including the sponsorship of the national major league Henan Construction Football Club Company Limited and advertisements in newspapers, on outdoor advertising boards and on radio broadcasts, selling and marketing staff expenses, commissions for contracted sales, and other related expenses. Our selling and marketing expenses in a given period are affected by the number of newly introduced developments in that period. We expect our selling and marketing expenses to continue to increase, as we have multiple property and hotel projects that will be released to the market in the near future. Certain projects may incur greater marketing expense to reach potential purchasers of a higher income level in Henan, where costs are generally higher. Commissions in connection with contracted sales are recognized as an expense upon pre-sale, not upon recognition of sales.

General and Administrative Expenses

General and administrative expenses include administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses. They also include depreciation and amortization of fixed assets such as company vehicles and office equipment. We have experienced an increase in our general and administrative expenses as a result of the continued growth of our property development business and hotel business during the years ended December 31, 2016, 2017 and 2018, which was primarily due to an increase in the number of our employees, the increase in the average salaries for our employees as well as depreciation of our fixed assets due to our commencement of hotel operations.

Other Operating Income

Other operating income include primarily property maintenance expenses and consulting fee income.

Share of Profits Less Losses of Associates

Share of profits less losses of associates primarily represents our share of losses on our investment in St. Andrews Golf Club (Zhengzhou) Company Limited, one of our associates.

Share of Profits Less Losses of Joint Ventures

Share of profits less losses of joint ventures represents share of profits less losses from investment in joint ventures for operating revenue or expenses incurred by these entities.

Finance Costs

Finance costs include primarily interest on bank and other loans, the 2009 Convertible Bonds with Warrants, the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the 2017 Facility and the Corporate Bonds, net change in fair value of derivatives embedded to the 2009 Convertible Bonds, the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes and the May 2018 Notes interest on advances from customers, and net of borrowing costs capitalized into properties under development.

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a project. We are required under HKFRS to capitalize such borrowing costs until a project generates cash flow sufficient to cover its own project costs, at which point borrowing costs are no longer capitalized for that 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 capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See "– Selected Income Statement Items – Cost of Sales."

Net Increase in Fair Value of Investment Properties

Net increase in fair value of investment properties represents changes in such value arising from adjustments to existing investment properties in accordance with prevailing market conditions. See "– Critical Accounting Policies – Investment Properties."

Income Tax

Income tax primarily consist of provisions for CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. In accordance with the CIT Law, which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC has been reduced to 25% of estimated assessable profits from 33%. Under the audited taxation method, the CIT liabilities of our PRC subsidiaries are calculated with reference to their actual profit, and LAT liabilities are calculated at a rate ranging from 30% to 60% of the appreciation value of our PRC subsidiaries' land. None of the PRC subsidiaries were subject to authorized taxation method on CIT since 2011. Withholding taxes are mainly levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008.

CIT

Our PRC CIT has been calculated at the applicable tax rate on our assessable profits for each of the three years ended December 31, 2016, 2017 and 2018. The CIT rate applicable in the PRC is 25%.

Since 2011, all of our subsidiaries used the audited taxation method to calculate their CIT liabilities. In 2016, 2017 and 2018, we paid CIT of RMB417.4 million, RMB785.6 million and RMB1,151.8 million (US$167.5 million), respectively, and we made provisions for CIT in the amount of RMB373.5 million, RMB555.0 million and RMB476.5 million (US$69.3 million), respectively. See "Risks Factors – Risks Relating to our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our corporate income tax obligations."

LAT

Under PRC tax laws and regulations, our project companies in the PRC are subject to LAT on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and 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 by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 4.5% of the proceeds from pre-sales of the properties, depending on the city in which the enterprise was located. Pursuant to the Notice on Strengthening the Administration of Land Appreciation Tax promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan could be calculated by using the authorized taxation method in addition to the audited taxation method. However, pursuant to the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local

Tax Bureau in March 2010, as of May 2010, the authorized taxation method is no longer available to property developers in Henan. Instead, property developers in Henan must calculate LAT based on the audited taxation method only, with limited exceptions.

During recent years, the SAT and the Henan Local Tax Bureau issued several notices and circulars with the intention of increasing LAT prepayment rates and strengthening the collection of LAT. For instance, in December 2006, the SAT issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises, which requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to the 2010 LAT Notice issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan has been increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010 and effective as of May 2010 and a circular issued by the Henan Local Tax Bureau effective as of January 2012, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only under limited circumstances may the authorized taxation method with a rate ranging from 5% to 10% be applied to LAT calculation. Such change of policy may materially and adversely affect our LAT liability and cash flow.

For the years ended December 31, 2016, 2017 and 2018, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC laws and regulations, and we paid accordingly each year based on the audited taxation method or the authorized taxation method, as applicable. For the years ended December 31, 2016, 2017 and 2018, we made LAT payments in the amount of RMB369.1 million, RMB500.1 million and RMB964.8 million (US$140.3 million) respectively, and we made provisions for LAT in the amount of approximately RMB225.4 million, RMB372.4 million and RMB191.0 million (US$27.8 million) respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. See "Risk Factors – Risks Relating to Our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations."

Withholding Tax

Withholding taxes levied on our subsidiaries in Hong Kong in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

Results of Operations

The following table sets forth our results of operations for the periods indicated which are extracted from the consolidated income statements included in this offering memorandum. Our historical results presented below are not necessarily indicative of future results.

	For the year ended December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Revenue	9,495,022	13,879,207	14,783,480	2,150,168
Cost of sales	(7,202,155)	(10,598,430)	(9,692,377)	(1,409,698)
Gross profit	2,292,867	3,280,777	5,091,103	740,470
Other revenue	228,696	106,810	234,854	34,158
Other net income/(loss)	17,600	258,358	64,192	9,336
Selling and marketing expenses	(478,899)	(697,149)	(1,188,393)	(172,845)
General and administrative expenses	(808,433)	(1,087,227)	(1,552,404)	(225,788)
Other operating income/(expenses)	43,037	48,627	–	–
Impairment losses on trade and other receivables, including contract assets	–	–	(54,623)	(7,945)
Profit from operations	1,294,868	1,910,196	2,594,729	377,386
Share of profits less losses of associates	(1,160)	(4,422)	(17,905)	(2,604)
Share of profits less losses of joint ventures	107,386	198,943	15,638	2,274
Finance costs	(400,806)	(408,051)	(226,152)	(32,892)
Profit before change in fair value of investment properties and income tax	1,000,288	1,696,666	2,366,310	344,164
Net valuation gains on investment property	27,223	243,400	605,673	88,091
Profit before taxation	1,027,511	1,940,066	2,971,983	432,255
Income tax	(623,391)	(1,040,784)	(1,556,860)	(226,436)
Profit for the year/period	404,120	899,282	1,415,123	205,819
Attributable to:				
Equity shareholders of the Company	402,973	811,365	1,154,262	167,880
Non-controlling interests	1,147	87,917	260,861	37,939
Profit for the year	404,120	899,282	1,415,123	205,819

Comparison of 2018 to 2017

Revenue: Our revenue increased by 6.5% to approximately RMB14,783.5 million (US$2,150.2 million) in 2018 from approximately RMB13,879.2 million in 2017, primarily due to the delay in revenue recognition of certain properties since 2018 as a result of the application of HKFRS15, which resulted in the decrease in the GFA of the properties recognised during the year as compared to 2017, therefore the revenue recorded did not increase significantly as the contracted sales.

- ***Income from sales of properties:*** Revenue from property sales increased by 3.2% to approximately RMB13,629.2 million (US$1,982.3 million) for 2018 from approximately RMB13,211.0 million for 2017 due to a decrease in area recognised by 19.7% to 1,871,076 sq.m. for 2018 from 2,329,226 sq.m. for 2017, while the average selling price (excluding underground parking spaces) increased by 28.4% to RMB7,284 per sq.m. for 2018 from RMB5,672 per sq.m. for 2017.

- ***Rental income:*** Income from property leasing increased by 54.8% to approximately RMB146.9 million (US$21.4 million) for 2018 from RMB94.9 million for 2017, which was mainly due to the rental income from the newly-opened shopping malls and commercial buildings.

- ***Revenue from hotel operation:*** Revenue from hotel operation increased by 7.2% to approximately RMB284.6 million (US$41.4 million) in 2018 from approximately RMB265.5 million in 2017, as the markets of the famous tourist cities of Henan, such as Zhengzhou, Nanyang and Luohe, were rather prosperous as compared with 2017, with the occupancy rate and room rates increasing remarkably. In addition, Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion commenced operation and was put into trial operation during the year respectively.

- ***Revenue from provision of project management service:*** Revenue from provision of project management service increased by 119.4% to approximately RMB675.3 million (US$98.2 million) for 2018 from approximately RMB307.8 million for 2017 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly attributable to a rapid increase in projects.

Cost of sales: Our cost of sales decreased by 8.5% to approximately RMB9,692.4 million (US$1,409.7 million) for 2018 from approximately RMB10,598.4 million for 2017. The decrease in cost of sales was due to a decrease in GFA sold during the year as mentioned above.

Gross profit: The Group's gross profit increased by 55.2% to approximately RMB5,091.1 million (US$740.5 million) for 2018 from approximately RMB3,280.8 million for 2017, while our gross profit margin increased significantly by 10.8 percentage points from 23.6% for 2017 to 34.4% for 2018. It was principally due to during the year: 1) the increase of the average selling price of property sales recognised was higher than the increase of the average cost of sales; 2) an increase in the proportion of sales of car park spaces with higher gross profit margin as a result of an increased sales volume; 3) an increase in the proportion of sales volume in cities with higher gross profit margin, such as Zhengzhou and Luoyang; and 4) an increase in revenue from project management service with higher gross profit margin.

Other revenue: Other revenue increased by 51.2% to approximately RMB234.9 million (US$34.2 million) for 2018 from approximately RMB155.4 million for 2017. This was primarily due to 1) an increase in advances to third parties resulting in an increase in related interest income; and 2) an increase in government compensation.

Other net income: Other net income decreased by 75.2% to approximately RMB64.2 million (US$9.3 million) for 2018 from approximately RMB258.4 million for 2017, which was primarily due to 1) the exchange loss of RMB37.7 million (US$5.5 million) for 2018 as compared to the exchange gain of RMB59.4 million for 2017; and 2) the revenue for 2017 included the gain on disposal of a subsidiary.

Selling and marketing expenses: Our selling and marketing expenses increased by 70.5% to approximately RMB1,188.4 million (US$172.8 million) for 2018 from approximately RMB697.1 million for 2017. The increase was primarily due to an increase in brand advertising and property marketing expenses, including the contribution of RMB298.2 million (US$43.4 million) to sports events during the year to strengthen brand promotion.

General and administrative expenses: Our general and administrative expenses increased by 42.8% to approximately RMB1,552.4 million (US$225.8 million) for 2018 from approximately RMB1,087.2 million for 2017, which is because the Group continued its business expansion, and expanded into 13 county-level cities in Henan province, while the number of projects under development of the Group increased from 92 as at the end of 2017 by approximately 110.9% to 194 as at the end of 2018, leading to 1) an increase in staff cost of approximately RMB197.9 million (US$28.8 million) in 2018 as compared to 2017; 2) an increase in other relevant tax expenses of approximately RMB104.0 million (US$15.1 million) in 2018 as compared to 2017 and; 3) an increase in travelling expenses of approximately RMB55.5 million (US$8.1 million) in 2018 as compared to 2017.

Impairment losses on trade and other receivables, including contract assets: Impairment losses on trade and other receivables, including contract assets, amounted to approximately RMB54.6 million (US$7.9 million) for 2018, mainly due to the impairment of financial assets resulting from the application of "expected credit loss", a new impairment model under the HKFRS 9.

Finance costs: Our finance costs decreased by 44.6% to approximately RMB226.2 million (US$32.9 million) for 2018 from approximately RMB408.1 million for 2017, mainly due to the change in fair value of derivatives.

Shares of profits less losses of associates: Our share of losses of associates increased by 306.8% to approximately RMB17.9 million (US$2.6 million) for 2018 from approximately RMB4.4 million for 2017, mainly due to new associates are during early stages of project construction.

Share of profits less losses of joint ventures: Our share of profits of joint ventures decreased by 92.2% to approximately RMB15.6 million (US$2.3 million) for 2018 from approximately RMB198.9 million for 2017, primarily due to substantial new joint ventures are still under the progress of project construction.

Net valuation gain on investment property: Net valuation gain of approximately RMB605.7 million (US$88.1 million) on our investment property for 2018 was recorded, which was mainly due to the use of Luoyang Triumph Plaza during the year was changed from sale with lease to self-held lease and therefore the plaza was transferred from inventories to investment property.

Income tax: Income tax mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 49.6% to approximately RMB1,556.9 million (US$226.4 million) for 2018 from approximately RMB1,040.8 million for 2017, which was principally due to the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties during the year.

Profit for the year: As a result of the foregoing, our profit for the year increased by 57.4% to approximately RMB1,415.1 million (US$205.8 million) for 2018 as compared to approximately RMB899.3 million for 2017.

Comparison of 2017 to 2016

Revenue: Our revenue increased by 46.2% to approximately RMB13,879.2 million in 2017 from approximately RMB9,495.0 million in 2016, primarily due to an increase in number of completed projects.

- ***Income from sales of properties:*** Revenue from property sales increased by 44.9% to approximately RMB13,211.0 million in 2017 from approximately RMB9,119.9 million in 2016 due to an increase in sold area to 2,329,226 sq. m. in 2017 from 1,738,628 sq. m. in 2016, and the average selling price increased to RMB5,672 per sq. m. in 2017 from RMB5,245 per sq. m. in 2016. The increase in the average selling price was in line with the government's control policies on the real estate market.

- ***Rental income:*** Revenue from property leasing maintained stable at approximately RMB94.9 million and RMB94.5 million in 2017 and 2016, which was mainly derived from rental income of the properties held.

- ***Revenue from hotel operation:*** Revenue from hotel operation increased by 9.9% to approximately RMB265.5 million in 2017 from approximately RMB241.5 million in 2016. The increase was due to the reception of a number of conference teams as a result of various large-scale conferences and exhibitions held in Nanyang, Luohe and Kaifeng and other cities where the Group's hotels are located in 2017.

- ***Revenue from provision of project management service:*** Revenue from provision of project management service increased by 689.2% to approximately RMB307.8 million in 2017 from approximately RMB39.0 million in 2016 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly because most of the projects in 2016 did not reflect full-year revenue and 39 projects were newly added in 2017.

Cost of sales: Our cost of sales increased by 47.2% to approximately RMB10,598.4 million in 2017 from approximately RMB7,202.2 million in 2016. The increase in cost of sales was due to an increase in GFA carried forward as mentioned above and a corresponding increase in land and construction costs.

Gross profit: The Group's gross profit increased by 43.1% to approximately RMB3,280.8 million in 2017 from approximately RMB2,292.9 million in 2016, while our gross profit margin decreased slightly by 0.5 percentage point from 24.1% in 2016 to 23.6% in 2017. It was principally due to: 1) a decrease in the proportion of sales of parking spaces with higher gross profit margin as a result of a decreased sales volume; and 2) prior years' sales promotion resulted in revenue recognized at a lower price during the period.

Other revenue: Other revenue decreased by 53.3% to approximately RMB106.8 million in 2017 from approximately RMB228.7 million in 2016. This was primarily due to a decrease in advances to joint ventures and third parties resulting in a decrease in corresponding interest income.

Other net income: Other net income of approximately RMB258.4 million in 2017 was primarily attributable to the aggregate revenue of approximately RMB249.3 million from gain on disposal of subsidiaries and exchange gain.

Selling and marketing expenses: Our selling and marketing expenses increased by 45.6% to approximately RMB697.1 million in 2017 from approximately RMB478.9 million in 2016. The increase was primarily due to 1) an increase in brand advertising and property marketing expenses; and 2) an increase in the number of sales personnel and staff salaries.

General and administrative expenses: Our general and administrative expenses increased by 34.5% to approximately RMB1,087.2 million in 2017 from approximately RMB808.4 million in 2016. This increase was primarily due to a significant increase in the number of administrative staff as a result of our business expansion. On the other hand, since the average market wage has risen by about 25% as a result of the significant increase in the demand for administrative staff with experience in Mainland real estate, the Group adjusted the wages of its administrative staff according to the market conditions so as to reduce staff turnover.

Other operating income: Other operating income increased by 13.0% to approximately RMB48.6 million in 2017 from approximately RMB43.0 million in 2016. The increase was mainly due to an increase in project management fees.

Share of profits less losses of joint ventures: Our share of profits less losses of joint ventures increased by 85.2% to approximately RMB198.9 million in 2017 from approximately RMB107.4 million in 2016, primarily due to an increase in the recognition of revenue from the joint ventures. The revenue from the Group's joint ventures amounted to approximately RMB8,463.0 million in 2017 as compared to RMB2,323.0 million in 2016, representing sales of 820,354 sq. m. in 2017 as compared to 230,653 sq. m. in 2016, in which revenue of RMB4,483.0 million in 2017 as compared to RMB1,335.0 million in 2016, representing sales of 426,171 sq. m. in 2017 as compared to 123,476 sq. m. in 2016, was attributable to the Group.

Finance costs: Our finance costs increased by 1.8% to approximately RMB408.1 million in 2017 from approximately RMB400.8 million in 2016.

Net valuation gain on investment properties: A net increase of approximately RMB243.4 million in valuation gain on our investment properties in 2017 was recorded, which was mainly due to the usage of The Five Buildings and Lakeside Square was changed from sale with lease to self-held lease and therefore transferred from inventories to investment real estate.

Income tax: Income tax for the year mainly comprises corporate income tax and land appreciation tax. The Group's income tax increased by 67.0% to approximately RMB1,040.8 million in 2017 from approximately RMB623.4 million in 2016. It was principally due to: 1) the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties; 2) the increase in income tax incurred by an increase of profits from sales of properties; and 3) a rise in relevant land appreciation tax as a result of an increase in income from sales of properties.

Profit for the year: As a result of the foregoing, our profit for the year increased by 122.5% to approximately RMB899.3 million in 2017 as compared to approximately RMB404.1 million in 2016.

Liquidity and Capital Resources

As of December 31, 2018, our Group's cash and cash equivalents amounted to approximately RMB14,202.3 million (US$2,065.6 million) as compared to approximately RMB11,283.9 million as of December 31, 2017. For the year of 2018, the Group distributed an interim dividend of approximately RMB165.0 million (US$24.0 million) to the shareholders of the Company and recommended a final dividend of approximately RMB330.2 million (US$48.0 million) to the shareholders of the Company in related to profit attributable to the year ended 31 December 2018 (2017: approximately RMB243.2 million).

Cash Flows

The following table sets forth our net cash flows for the years indicated:

	For the year ended December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Net cash generated from operating activities	2,111,363	5,759,883	4,102,943	596,748
Net cash used in investing activities	(2,045,260)	(4,728,926)	(3,237,657)	(470,898)
Net cash generated from financing activities	2,202,940	539,700	2,025,833	294,645
Net increase in cash and cash equivalents	2,269,043	1,570,657	2,891,119	420,495
Cash and cash equivalent at end of year	9,776,310	11,283,853	14,202,259	2,065,633

Cash Flows from Operating Activities

Our cash generated from operating activities is principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as rental fees received from property leasing and service fees received for our performance under certain construction contracts. Our cash used in operating activities principally comprises amounts we pay for our property development activities.

In 2018, our net cash generated from operating activities was RMB4,102.9 million (US$596.7 million). Our net cash generated from operating activities in 2018 consisted primarily of increase in contract liabilities of RMB38,128.8 million (US$5,545.6 million), increase in trade and other payables of RMB3,852.5 million (US$560.3 million), cash generated from operations before changes in working capital of RMB2,626.1 million (US$382.0 million) and decrease in trade and other receivables of RMB1,321.3 million (US$192.2 million), and offset by increase in inventories and other contract costs of RMB20,513.5 million (US$2,983.6 million), decrease in receipts in advance of RMB15,087.6 million (US$2,194.4 million), decrease in deposits and prepayments of RMB2,306.9 million (US$335.5 million), PRC income tax paid of RMB2,127.9 million (US$309.5 million), increase in restricted bank deposits of RMB1,429.8 million (US$208.0 million) and other cash flows used in operating activities of RMB360.1 million (US$52.4 million).

In 2017, our net cash generated from operating activities was RMB5,759.9 million. Our net cash generated from operating activities in 2017 consisted primarily of cash generated from operations before changes in working capital of RMB1,934.8 million and an increase in working capital of RMB5,111.6 million, and offset by PRC income tax paid of RMB1,286.6 million. Working capital in 2017 increased

by RMB5,111.6 million, primarily due to an increase in payables and accruals of RMB10,263.4 million, an increase in receipts in advance of RMB7,331.7 million, an decrease in deposits and prepayments of RMB5,324.7 million, a decrease in properties for sales of RMB5,174.1 million, an decrease in trade and other receivables of RMB1,327.7 million and a decrease in restricted bank deposits of RMB656.9 million.

In 2016, our net cash generated from operating activities was RMB2,111.4 million. Our net cash generated from operating activities in 2016 consisted primarily of cash generated from operations before changes in working capital of RMB1,252.4 million and an increase in working capital of RMB1,705.4 million, and offset by PRC income tax paid of RMB846.5 million. Working capital in 2016 increased by RMB1,705.4 million, primarily due to an increase in properties for sale of RMB262.1 million, an increase in restricted bank deposits of RMB82.0 million, partially offset by a decrease in trade and other receivables of RMB218.9 million, a decrease in deposits and prepayments of RMB460.0 million, an increase in payables and accruals of RMB71.9 million and an increase in receipts in advance of RMB1,298.7 million.

Cash Flows from Investing Activities

In 2018, our net cash used in investing activities was RMB3,237.7 million (US$470.9 million). Our net cash used in investing activities in 2018 primarily consisted of advances to joint ventures and associates of RMB3,042.8 million (US$442.6 million), investment of joint ventures and associates of RMB983.7 million (US$143.1 million), payment for purchases of property, plant and equipment of RMB922.2 million (US$134.1 million) and net cash paid upon acquisitions of subsidiaries of RMB507.9 million (US$73.9 million), partially offset by repayment from joint ventures and associates of RMB1,556.8 million (US$226.4 million), dividend received of RMB391.1 million (US$56.9 million) and interest received of RMB210.4 million (US$30.6 million) and other cash flows arising from investing activities of RMB60.8 million (US$8.8 million).

In 2017, our net cash used in investing activities was RMB4,728.9 million. Our net cash used in investing activities in 2017 primarily consisted of advances to joint ventures of RMB2,650.8 million, payment for purchases of property, plant and equipment of RMB998.3 million, net cash paid upon acquisitions of subsidiaries of RMB624.3 million, advances to associates of RMB393.8 million, payment for purchase of other financial assets of RMB300.0 million and investments in joint ventures and associates of RMB244.7 million, partially offset by net cash received upon disposals of subsidiaries of RMB283.6 million, repayment from joint ventures of RMB130.1 million and other cash flows arising from investing activities of RMB69.3 million.

In 2016, our net cash used in investing activities was RMB2,045.3 million. Our net cash used in investing activities in 2016 primarily consisted of payment for purchases of property, plant and equipment and investment properties of RMB354.3 million, net cash paid upon acquisitions of subsidiaries of RMB1,829.0 million, advances to joint ventures of RMB472.1 million, net cash paid upon disposals of subsidiaries of RMB175.7 million and payment for purchase of other financial assets of RMB120.0 million, partially offset by repayment from joint ventures of RMB639.5 million, interest received of RMB225.7 million and dividend received from joint ventures of RMB167.6 million.

Cash Flows from Financing Activities

In 2018, our net cash generated from financing activities was RMB2,025.8 million (US$294.6 million). The net cash generated from financing activities in 2018 primarily consisted of net proceeds from issuance senior notes of RMB4,967.9 million (US$722.6 million), proceeds from bank loans and other loans of RMB3,282.7 million (US$477.4 million) and proceeds from issuance of ordinary shares of RMB832.2 million (US$121.0 million), partially offset by redemption of senior notes of RMB4,111.0 million (US$597.7 million) repayment of bank and other loans of RMB1,321.7 million (US$192.2 million), interest paid of RMB1,195.4 million (US$173.9 million) and other cash flows used in financing activities of RMB428.8 million (US$62.4 million).

In 2017, our net cash generated in financing activities was RMB539.7 million. The net cash used in financing activities in 2017 primarily consisted of proceeds from bank loans of RMB2,791.9 million, net proceeds from issue of senior notes of RMB1,330.1 million and capital contribution from non-controlling interests of RMB99.6 million, partially offset by repayment of bank loans and other loans of RMB1,302.7 million, interest paid of RMB1,228.3 million, redemption of senior notes of RMB1,098.7 million and other cash flows used in financing activities of RMB52.2 million.

In 2016, our net cash generated from financing activities was RMB2,202.9 million. The net cash generated from financing activities for 2016 primarily consisted of proceeds from new bank loans of RMB1,184.4 million, net proceeds from senior notes of RMB1,360.0 million and net proceeds from issue of corporate bonds of RMB2,972.1 million, partially offset by repayment of bank loans of RMB1,150.5 million, repayment of other loans of RMB332.7 million, repayment of redemption upon maturity senior notes of RMB793.0 million, interest paid of RMB846.5 million and dividend paid of RMB240.3 million.

Capital Resources

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue, the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the 2017 Facility, the Corporate Bonds, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes and the January 2019 Notes. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies.

Cash and Cash Equivalents

Our cash and cash equivalents amounted to RMB14,202.3 million (US$2,065.6 million), as of December 31, 2018, which excludes restricted cash of RMB3,579.6 million (US$520.6 million).

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions as well as debt offerings in the capital markets. As of December 31, 2018, we had aggregate borrowings (including bank loans, other loans, senior notes and corporate bonds) of RMB19,851.3 million (US$2,887.3 million), a substantial portion of which was denominated in U.S dollar, RMB8,645.6 million (US$1,257.5 million) of which was denominated in Renminbi and, RMB753.3 million (US$109.6 million) of which was denominated in Singapore dollars. The January 2013 Notes, the 2015 Notes, the 2016 Notes, the March 2018 Notes, the April 2018 Notes and the May 2018 Notes are secured by equity pledges over some of our subsidiaries. Subsequent to December 30, 2018, we also issued the January 2019 Notes. Our project-specific onshore borrowings are typically secured by our properties under development and our land use rights, and we usually repay such borrowings using a portion of our pre-sale proceeds from the specific project.

Our borrowings have a range of maturities from less than one year to more than five years. As of December 31, 2018, the effective interest rate for our bank loans ranged from 4.75% to 9.3% per annum, and the effective interest rate for our other loans ranged from 7.0% to 12.0% per annum.

The following table sets forth the level of our borrowings and their respective maturity profiles as of the dates indicated.

	As of December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Bank loans	**2,365,440**	**3,887,578**	**5,830,481**	**848,009**
Within one year or on demand	514,265	450,118	1,756,130	255,419
After one year but within two years	393,695	986,674	2,232,976	324,773
After two years but within five years	683,985	1,785,876	1,368,250	199,004
After five years	773,495	664,910	473,125	68,813
Other loans	**390,000**	**300,000**	**833,180**	**121,181**
Within one year or on demand	90,000	90,000	593,150	86,270
After one year but within two years	90,000	90,000	240,030	34,911
After two years but within five years	180,000	90,000	–	–
After five years	30,000	30,000	–	–
Corporate bonds	**2,978,128**	**2,986,914**	**2,996,760**	**435,861**
Within one year or on demand	–	–	2,996,760	435,861
After one year but within two years	–	–	–	–
After two years but within five years	2,978,128	2,986,914	–	–
After five years	–	–	–	–
January 2013 Notes	**1,396,432**	**1,295,951**	**1,368,455**	**199,034**
Within one year or on demand	–	–	–	–
After one year but within two years	–	1,295,951	1,368,455	199,034
After two years but within five years	1,396,432	–	–	–
After five years	–	–	–	–
June 2013 Notes	**2,795,026**	**2,596,209**	**–**	**–**
Within one year or on demand	–	2,596,209	–	–
After one year but within two years	2,795,026	–	–	–
After two years but within five years	–	–	–	–
After five years	–	–	–	–
2014 Notes.	**960,216**	**–**	**–**	**–**
Within one year or on demand	960,216	–	–	–
After one year but within two years	–	–	–	–
After two years but within five years	–	–	–	–
After five years	–	–	–	–
2015 Notes	**2,087,429**	**1,937,635**	**2,047,039**	**297,730**
Within one year or on demand	–	–	–	–
After one year but within two years	–	–	–	–
After two years but within five years	2,087,429	1,937,635	2,047,039	297,730
After five years	–	–	–	–
2016 Notes	**1,383,383**	**1,285,374**	**1,359,000**	**197,658**
Within one year or on demand	–	–	–	–
After one year but within two years	–	–	–	–
After two years but within five years	–	1,285,374	1,359,000	197,658
After five years	1,383,383	–	–	–
July 2017 Notes	**–**	**1,294,484**	**–**	**–**
Within one year or on demand	–	1,294,484	–	–
After one year but within two years	–	–	–	–
After two years but within five years	–	–	–	–
After five years	–	–	–	–
March 2018 Notes	**–**	**–**	**2,039,991**	**296,704**
Within one year or on demand	–	–	–	–
After one year but within two years	–	–	–	–
After two years but within five years	–	–	2,039,991	296,704
After five years	–	–	–	–
April 2018 Notes	**–**	**–**	**2,623,029**	**381,504**
Within one year or on demand	–	–	–	–
After one year but within two years	–	–	2,623,029	381,504
After two years but within five years	–	–	–	–
After five years	–	–	–	–
May 2018 Notes	**–**	**–**	**753,315**	**109,565**
Within one year or on demand	–	–	–	–
After one year but within two years	–	–	753,315	109,565
After two years but within five years	–	–	–	–
After five years	–	–	–	–
Total	**14,356,054**	**15,584,145**	**19,851,250**	**2,887,246**

Subsequent to December 31, 2018, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes and repaid some of our borrowings. For a description of our material indebtedness, see "Description of Other Material Indebtedness."

2012 Notes

On April 18, 2012, we issued secured senior notes in the principal amount of S$175 million due 2016. The senior notes are interest-bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the 2012 Notes was April 18, 2016. In April 2016, we redeemed the 2012 Notes in full.

January 2013 Notes

On January 28, 2013, we issued senior notes due 2020 in the principal amount of US$200 million. The January 2013 Notes are interest bearing at 8.0% per annum and payable semi-annually in arrears. The maturity date of the January 2013 Notes is January 28, 2020. For more details of our January 2013 Notes, see the section entitled "Description of Other Material Indebtedness – January 2013 Notes."

June 2013 Notes

On June 4, 2013, we issued senior notes due 2018 in the principal amount of US$400 million. The June 2013 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the June 2013 Notes is June 4, 2018. In June 2018, we redeemed the June 2013 Notes in full.

2014 Notes

On May 26, 2014, we issued senior notes due 2017 in the principal amount of S$200 million. The 2014 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the 2014 Notes is May 26, 2017. In May 2017, we redeemed the 2014 Notes in full.

2015 Notes

On April 23, 2015, we issued senior notes due 2021 in the principal amount of US$300 million. The 2015 Notes are interest bearing at 8.75% per annum and payable semi-annually in arrears. The maturity date of the 2015 Notes is January 23, 2021. For more details of our 2015 Notes, see the section entitled "Description of Other Material Indebtedness – 2015 Notes."

2016 Notes

On November 8, 2016, we issued senior notes due 2021 in the principal amount of US$200 million. The 2016 Notes are interest bearing at 6.75% per annum and payable semi-annually in arrears. The maturity date of the 2016 Notes is November 8, 2021. For more details of our 2016 Notes, see the section entitled "Description of Other Material Indebtedness – 2016 Notes."

July 2017 Notes

On July 18, 2017, we issued senior notes due 2018 in the principal amount of US $ 200 million. The July 2017 Notes are interest bearing at 6.0% per annum and payable semi-annually in arrears. The maturity date of the July 2017 Notes is July 16, 2018. In July 2018, we redeemed the July 2017 Notes in full.

March 2018 Notes

On March 5, 2018, we issued senior notes due 2021 in the principal amount of US$ 300 million. The March 2018 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the March 2018 Notes is March 5, 2021. For more details of our March 2018 Notes, see the section entitled "Description of Other Material Indebtedness – March 2018 Notes."

April 2018 Notes

On April 23, 2018, we issued senior notes due 2020 in the principal amount of US$300 million. On June 5, 2018, we further issued senior notes due 2020 in the principal amount of US$86 million, which was consolidated and formed a single class with the senior notes issued on April 23, 2018. The April 2018 Notes are interest bearing at 6.875% per annum and payable semi-annually in arrears. The maturity date of the April 2018 Notes is October 23, 2020. For more details of our April 2018 Notes, see the section entitled "Description of Other Material Indebtedness – April 2018 Notes."

May 2018 Notes

On May 2, 2018, we issued senior notes due 2020 in the principal amount of S$150 million. The May 2018 Notes are interest bearing at 6.25% per annum and payable semi-annually in arrears. The maturity date of the May 2018 Notes is May 2, 2020. For more details of our May 2018 Notes, see the section entitled "Description of Other Material Indebtedness – May 2018 Notes."

January 2019 Notes

On January 29, 2019, we issued senior notes due 2020 in the principal amount of US$200 million. The January 2019 Notes are interest bearing at 7.325% per annum and payable semi-annually in arrears. The maturity date of the January 2019 Notes is January 27, 2020. For more details of our January 2019 Notes, see the section entitled "Description of Other Material Indebtedness – January 2019 Notes."

Corporate Bonds

On April 13, 2016, we issued the first tranche of domestic corporate bonds with an aggregate principal amount of RMB3.0 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited(建業住宅集團(中國)有限公司). The Corporate Bonds bear interest at 6.0% per annum and will mature in 2021. For more details of our Corporate Bonds, see the section entitled "Description of Other Material Indebtedness – Corporate Bonds."

2011 Rights Issue

On June 28, 2011, we issued 428,000,000 shares of HK$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to approximately HK$718.2 million.

Capital Commitments

As of December 31, 2018, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB68,688.2 million (US$9,990.3 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following tables set forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Properties under development undertaken by the Group				
Authorized but not contracted for	11,831,350	12,352,427	44,534,992	6,477,346
Contracted but not provided for	5,443,571	6,814,843	24,153,219	3,512,940
Total capital commitments	**17,274,921**	**19,167,270**	**68,688,211**	**9,990,286**

Contingent Liabilities

As of December 31, 2018, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB29,523.0 million (US$4,293.9 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold as well as our joint ventures. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, in respect of mortgages, if there is a default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties.

We also provided guarantees for bank loans and other loans of our joint ventures, amounting to RMB4,984.8 million (US$725.0 million) as of December 31, 2018. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreement. As at December 31, 2018, the Group extended the minimum return of RMB69.1 million (US$10.1 million) to the trust manager, which is receivable from the joint venture. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

In addition, as of December 31, 2018, we also provided liquidity support in favor of Jianye Property Management, a subsidiary of Central China New Life, for its payment obligations under its asset backed securities, covering payment shortfalls relating to an aggregate amount of RMB650.0 million (US$94.5 million) of such securities.

Off-balance Sheet Commitments and Arrangements

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

Market Risks

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation or deflation risks in the normal course of business.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtednesses in the PRC generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2016, 2017 and 2018 were 4.35%, 4.35% and 4.35%, respectively.

Foreign Exchange Rate Risk

We conduct our business principally in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. The majority of our foreign currency transactions and balances are denominated in H.K. dollars, Singapore dollars and U.S. dollars. Fluctuations in the value of Renminbi to these foreign currencies may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. See "Risk Factors – Risks Relating to the PRC – Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment."

On November 14, 2016, we further entered into the 2016 ISDA Master Agreement with Morgan Stanley & Co. International plc., as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for four years.

On June 6, 2018, we entered into the 2018 ISDA Master Agreement with Deutsche Bank AG, Hong Kong Branch, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On June 6, 2018, we entered into the 2018 ISDA Master Agreement with Goldman Sachs International, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for eighteen months.

On December 12, 2018, we entered into the 2018 ISDA Master Agreement with Goldman Sachs International, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On December 13, 2018, we entered into the 2018 ISDA Master Agreement with Nomura International plc, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

Inflation or Deflation Risk

In recent years, China has not experienced significant inflation or deflation, and thus inflation or deflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 2.0%, 1.5% and 2.1% in 2016, 2017 and 2018, respectively.

Non-GAAP Financial Measures

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

- interest income;
- income tax expense;
- depreciation and amortization;
- gross finance costs;
- net increase in fair value of investment properties; and
- profit attributable to non-controlling interests.

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

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

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

	For the year ended December 31,			
	2016	2017	2018	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Profit before taxation	1,027,511	1,940,066	2,971,983	432,257
Adjustments for				
interest income	(225,675)	(91,309)	(219,138)	(31,872)
depreciation and amortization	228,012	255,448	268,459	39,046
gross finance costs[(1)]	1,084,588	1,083,562	2,338,913	340,181
net increase in fair value of investment properties	(27,223)	(243,400)	(605,673)	(88,091)
profit attributable to non-controlling interests.	(1,147)	(87,917)	(260,861)	(37,941)
EBITDA	**2,086,066**	**2,856,450**	**4,493,683**	**653,580**

Note:

(1) Gross finance costs represented our finance costs excluding "borrowing costs capitalized," "net change in fair value of derivatives embedded in convertible bonds," and "net gain on modification of convertible bonds," "net change in fair value of derivatives embedded in senior notes" and "loss on early redemption of senior notes."

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 or U.S. GAAP. Our definition of EBITDA does not account for income tax expense, interest income, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. See the section entitled "Description of the Notes – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

The information in the section below has been derived, in part, from official government sources unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our or their respective affiliates or advisors. The information may not be consistent with other information complied within or outside the PRC.

The Economy of China

Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP increased from approximately RMB31,951.6 billion in 2008 to approximately RMB82,712.2 billion in 2017 at a CAGR of approximately 11.1%. The table below sets forth the GDP data for China for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Nominal GDP (in RMB billion)	31,951.6	34,908.1	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,905.2	74,358.6	82,712.2	11.1%

Source: National Bureau of Statistics of China

In 2017, China's per capita disposable income of urban households has increased to approximately RMB36,396, representing an 8.3% increase compared to 2016. The table below sets forth the per capita disposable annual income for urban households for China for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Per capital disposable income of urban households (in RMB)	15,781.0	17,175.0	19,109.0	21,810.0	24,565.0	26,955.0	28,844.0	31,195.0	33,616.0	36,396.0	9.7%

Source: National Bureau of Statistics of China

The Property Market in China

Overview

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate are key factors in sustaining the growth of China's property market. Government housing reforms continue to encourage private ownership and it is expected that the proportion of urban residents who will own private properties will continue to increase in the future. The table below sets forth selected figures showing China's urbanization rate and the annual disposable income of the urban population in China for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Urban population (in millions)	624.03	645.12	669.78	690.79	711.82	731.11	749.16	771.16	792.98	813.47	3.0%
Total population (in millions)	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	0.5%
Urbanization rate (%)	45.68%	46.59%	49.95%	51.30%	52.60%	53.73%	54.77%	56.10%	57.35%	58.52%	2.8%
Per capital disposable income of urban households(in RMB)	31,951.6	34,908.1	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,905.2	74,358.6	82,712.2	11.1%
		3.4%	3.8%	3.1%	3.0%	2.7%	2.5%	2.9%	2.8%	2.6%	

Source: National Bureau of Statistics of China

Investment in Property Development

Investment in property development in China increased from approximately RMB3,058 billion in 2008 to approximately RMB10,979.9 billion in 2017, representing a CAGR of approximately 15.3%. The table below sets forth investment in property development in China for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Investment in property development (in RMB billions)	3,058.0	3,623.2	4,826.7	6,174.0	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	10,979.9	15.3%

Source: National Bureau of Statistics of China

Property Price and Supply

The average price per sq.m. for the property market in China was approximately RMB7,892.3 in 2017, compared to approximately RMB3,799.9 in 2008, representing a CAGR of 8.5% over the period. Supply of properties in China measured by total GFA completed, also increased from approximately 665.4 million sq.m. in 2008 to approximately 1,014.9 million sq.m. in 2017, representing a CAGR of 4.8%.

The table below sets forth selected data relating to the PRC property market for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Total GFA completed (in million sq.m)	665.4	726.8	787.4	926.2	994.2	1,014.3	1,074.6	1,000.4	1,061.3	1,014.9	4.8%
Total GFA sold(in million sq.m)	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1	11.0%
GFA of residential properties sold (in million sq.m)	592.8	861.8	933.8	970.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4	1,447.9	10.4%
Average price of properties (in RMB per sq.m)	3,799.9	4,681.0	5,032.4	5,357.1	5,791.0	6,237.3	6,323.5	6,792.5	7,475.6	7,892.3	8.5%
Average price of residential properties (in RMB per sq.m)	3,575.6	4,459.4	4,725.0	5,010.7	5,429.9	5,849.8	5,933.6	6,472.4	7,202.6	7,613.8	8.8%

Source: National Bureau of Statistics of China

The Economy and the Property Market in Henan

Henan is located in central China covering approximately 167,000 sq.km. and spanning 17 prefecture-level cities, 20 county-level cities and 85 counties. It is a geographic hub for road transportation and had a total highway mileage of approximately 6,323 kilometers at the end of 2017. In addition, the PRC Government has established high speed railroad networks connecting Zhengzhou to Xi'an, Wuhan, Guangzhou, Beijing and Shanghai. According to the National Bureau of Statistics of China, Henan was the third most populous province in China and ranked fifth in terms of nominal GDP. Henan's nominal GDP increased to approximately RMB4,450 billion in 2017 from approximately RMB1,801.9 billion in 2008, representing a CAGR of 10.7% which is on par with China's overall nominal GDP CAGR of 11.1% over the same period. The table below sets out selected economic statistics of Henan for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Nominal GDP (RMB in billions)	1,801.9	1,948.0	2,309.2	2,693.1	2,959.9	3,219.1	3,493.8	3,700.2	4,047.2	4,498.8	10.7%
As a percentage of the GDP of the PRC (%)	5.6	5.6	5.6	5.5	5.5	5.4	5.4	5.4	5.4	5.4	–
Real GDP growth rate (%)	12.1	10.9	12.5	11.9	10.1	9.0	8.9	8.3	8.1	7.8	–
Per capita GDP (RMB)	19,181.0	20,597.0	24,446.0	28,661.0	31,499.0	34,211.0	37,072.0	39,040.3	42,247.0	47,130.0	10.5%

Source: National Bureau of Statistics of China

Historically, Henan had a low rate of urbanization. According to the national and Henan-specific statistical data published, as of the year end of 2017, the urbanization rate of the province was approximately 50.2%, lower than the national average of 58.5%. In January 2010, the National Development and Reform Commission promulgated the "Plan for Promoting the Rise of Central China"(促進中部地區崛起規劃)(the "Plan") with a view to further developing the economy of six provinces in Central China, including Henan. We believe the unique geographic location of Henan in Central China has allowed it to significantly benefit from the Plan. Construction of public transportation and city clusters and expansion of logistics networks are driving the economic development in Henan. Certain major cities in Henan have shown a rising consumption and purchasing power of residents.

The table below sets forth details of the urban population of Henan from 2008 to 2017:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
Urban population(in million)	34.0	35.8	36.2	38.1	39.9	41.2	42.7	44.4	46.2	47.9	3.9%
Total population(in million)	94.3	94.9	94.1	93.9	94.1	94.1	94.4	94.8	95.3	108.5	1.6%
Urbanization rate(%)	36.0	37.7	38.8	40.6	42.4	43.8	45.2	46.9	48.5	50.2	–
Urban population growth rate(%)	5.3%	5.3%	1.2%	5.2%	4.8%	3.3%	3.4%	4.1%	4.1%	3.7%	–
Per capita disposable income of urban households(RMB)	13,231.0	14,372.0	15,930.0	18,194.8	20,442.6	22,398.0	24,391.0	25,576.0	27,233.0	29,558.0	9.3%

Sources: Henan Statistical Yearbook, National Bureau of Statistics of China

The table below sets forth the growth rate of the urban population of Henan and the urban population of the PRC from 2008 to 2017:

	Urban population		Urban population growth rate	
	National	Henan	National	Henan
2008	624.0	34.0	2.9%	5.3%
2009	645.1	35.8	3.4%	5.3%
2010	669.8	36.2	3.8%	1.2%
2011	690.8	38.1	3.1%	5.2%
2012	711.8	39.9	3.0%	4.8%
2013	731.1	41.2	2.7%	3.3%
2014	749.2	42.7	2.5%	3.4%
2015	771.2	44.4	2.9%	4.1%
2016	793.0	46.2	2.8%	4.1%
2017	813.5	47.9	2.6%	3.7%

Sources: National Bureau of Statistics of China

According to the National Bureau of Statistics of China, a total GFA of 62.0 million sq.m. of commodity properties was completed in Henan in 2017, representing a CAGR of 9.4% over the period of 2008 to 2017. For the same year, a total of 133.1 million sq.m. of commodity properties was sold, of which 117.1 million sq.m. was residential properties. The total sales revenue attributable to sales of commodity properties in 2017 amounted to approximately RMB712.9 billion, of which approximately RMB589.8 billion was from the sales of residential properties. The average price per sq.m. of commodity and residential properties in Henan in 2017 was approximately RMB5,354.9 and RMB5,037.6, respectively, representing an increase of approximately 7.9% and 5.5% over 2016. The table below sets forth selected data on the property market in Henan for the periods indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	GAGR
GFA of commodity properties completed (sq.m. in millions)	27.6	34.0	44.3	44.3	58.7	59.7	73.2	53.9	63.0	62.0	9.4%
GFA of residential properties completed (sq.m. in millions)	23.7	29.9	38.5	46.5	48.9	49.2	57.7	42.4	50.2	47.0	7.9%
GFA of commodity properties sold (sq.m. in millions)	29.7	43.4	54.5	62.8	59.7	73.1	78.8	85.6	113.1	133.1	18.1%
GFA of residential properties sold (sq.m. in millions)	27.4	40.2	50.9	57.3	54.6	65.6	70.1	76.5	101.4	117.1	17.5%
Percent of total GFA sold in the PRC (%)	4.5%	4.6%	5.2%	5.7%	5.4%	5.6%	6.5%	6.7%	7.2%	7.9%	–
Sales revenue from commodity properties (RMB in billions)	70.6	115.6	165.9	219.7	228.7	307.4	344.1	394.6	561.3	712.9	29.3%
Sales revenue from residential properties (RMB in billions)	59.5	100.5	145.5	178.8	191.6	251.6	274.0	330.0	483.9	589.8	29.0%

Source: National Bureau of Statistics of China

The tables below set forth data on the average selling prices of commodity properties and residential properties in the 18 prefecture-level cities in Henan for the period between 2008 and 2017:

	Average price of commodity properties (RMB per sq.m.)										
City/Province	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Zhengzhou	3,929	4,294	4,957	5,696	6,253	7,162	7,571	7,537	8,163	8,631	9.1%
Kaifeng	2,066	2,376	2,813	3,085	3,499	3,961	3,761	3,843	4,080	4,811	9.8%
Luoyang	2,591	2,741	3,170	3,595	4,034	4,182	4,151	4,301	4,545	5,155	7.9%
Pingdingshan	1,863	2,027	2,410	2,881	3,230	3,296	3,540	3,923	4,276	4,221	9.5%
Anyang	1,969	1,936	2,197	2,765	2,907	3,185	3,334	3,770	3,671	3,972	8.1%
Hebi	1,751	1,941	2,436	2,794	3,057	2,917	3,069	3,502	3,705	4,284	10.5%
Xinxiang	1,778	1,898	2,267	2,663	2,848	3,341	3,747	3,806	3,819	4,207	10.0%
Jiaozuo	2,366	2,052	2,380	2,814	3,184	3,389	3,279	3,767	4,065	4,529	7.5%
Puyang	2,065	2,095	2,258	2,720	3,141	3,540	3,314	3,717	4,061	4,586	9.3%
Xuchang	1,933	2,334	2,540	2,974	3,228	3,737	4,121	3,971	4,154	4,759	10.5%
Luohe	1,618	1,976	2,135	2,278	2,952	3,477	3,880	4,227	4,071	4,391	11.7%
Sanmenxia	1,405	2,329	2,196	2,520	2,963	3,454	3,603	3,726	3,401	3,682	11.3%
Nanyang	2,038	1,943	2,081	2,630	2,736	3,104	3,299	3,402	3,547	3,773	7.1%
Shangqiu	1,504	1,850	2,059	2,897	2,834	2,681	3,650	4,272	4,171	5,113	14.6%
Xinyang	1,681	1,893	2,047	2,698	3,168	3,613	3,649	3,644	3,742	4,062	10.3%
Zhoukou	1,436	1,914	1,842	2,350	2,690	3,049	3,238	3,426	3,511	3,659	11.0%
Zhumadian	1,419	1,580	1,745	2,306	2,566	2,883	3,100	3,251	3,404	3,973	12.1%
Jiyuan	1,952	2,101	2,518	2,717	3,252	3,478	3,836	3,735	3,585	4,020	8.4%

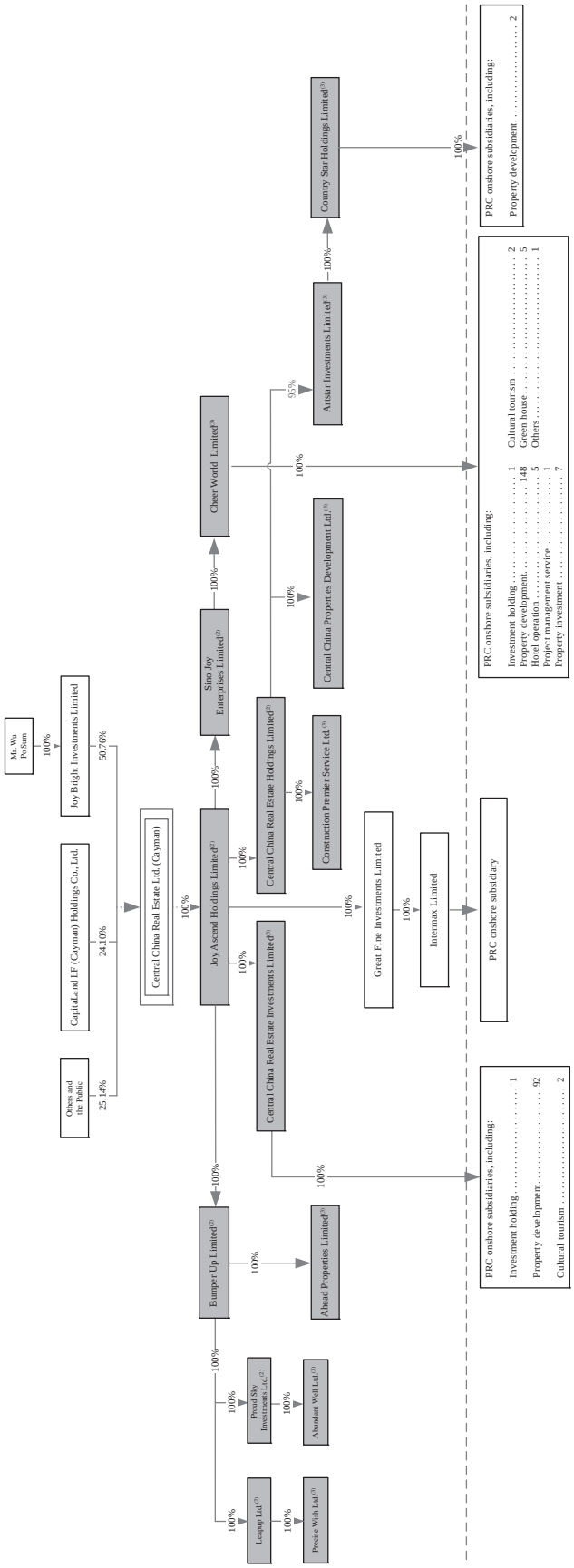
Source: Henan Statistical Yearbooks 2009 to 2017

City/Province	Average price of residential properties (RMB per s q.m.)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Zhengzhou	3,598	4,054	4,596	4,692	5,643	6,587	6,579	7,223	8,093	8,323	9.8%
Kaifeng	1,937	2,279	2,762	2,986	3,370	3,621	3,579	3,517	3,852	4,626	10.2%
Luoyang	2,471	2,547	3,025	3,429	3,730	3,851	3,832	3,987	4,388	4,866	7.8%
Pingdingshan	1,702	1,861	2,269	2,786	3,127	3,140	3,359	3,796	4,098	3,942	9.8%
Anyang	1,690	1,887	2,112	2,661	2,680	2,939	3,097	3,459	3,413	3,670	9.0%
Hebi	1,652	1,906	2,345	2,701	2,938	2,674	2,985	3,483	3,519	4,606	10.5%
Xinxiang	1,563	1,824	2,098	2,559	2,756	3,158	3,607	3,722	3,739	4,145	11.4%
Jiaozuo	2,201	1,959	2,354	2,775	3,017	3,224	3,154	3,769	3,939	4,440	8.1%
Puyang	2,003	2,066	2,228	2,683	3,066	3,484	3,181	3,657	3,991	4,583	9.6%
Xuchang	1,794	2,183	2,471	2,809	2,985	3,567	3,936	3,791	3,960	4,617	11.1%
Luohe	1,600	1,922	2,068	2,235	2,854	3,337	3,276	3,759	3,673	4,017	10.8%
Sanmenxia	1,412	2,099	2,123	2,442	2,898	3,151	3,252	3,244	3,222	3,419	10.6%
Nanyang	1,736	1,743	1,996	2,575	2,649	3,010	3,175	3,200	3,433	3,579	8.4%
Shangqiu	1,500	1,741	2,000	2,732	2,615	2,575	3,107	3,256	3,377	3,789	10.8%
Xinyang	1,488	1,707	1,938	2,569	2,992	3,214	3,378	3,491	3,629	3,906	11.3%
Zhoukou	1,371	1,860	1,815	2,310	2,554	2,936	3,083	3,188	3,146	3,296	10.3%
Zhumadian	1,404	1,529	1,651	2,138	2,412	2,589	2,785	2,995	3,217	3,720	11.4%
Jiyuan	1,772	1,990	2,434	2,642	3,188	3,604	3,610	3,670	3,556	3,889	9.1%

Source: Henan Statistical Yearbooks 2009 to 2017

CORPORATE STRUCTURE

The following chart shows our corporate structure as of December 31, 2018[1]:



Subsidiary guarantors

Notes:

(1) Subsequent to December 31, 2018, we have, in our ordinary course of business, incorporated or acquired certain onshore or offshore subsidiaries, which are not reflected in the corporate structure in this offering memorandum.

(2) The company was incorporated in the British Virgin Islands.

(3) The company was incorporated in Hong Kong.

BUSINESS

Overview

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See "– Awards and Certificates." With an operating history of 27 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 30.1 million sq.m. between 1992 and December 31, 2018. Leveraging our experience and brand reputation, we have expanded into 95 cities across Henan, including all 18 prefecture-level cities and 77 county-level cities, as of December 31, 2018.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.1 million registered residents as of December 31, 2018. From 2007 through 2018, Henan's GDP grew from RMB1,801.9 billion to RMB4,805.6 billion, representing a CAGR of 10.3%. From 2008 to 2018, Henan's urbanization rate also grew significantly by 15.7 percentage points, from 36.0% to 51.7%, which was yet at a level considerably below the national urbanization rate of 59.6% in 2008, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicality and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. CapitaLand's shareholding in our Company is approximately 24.10% as of the date of this offering memorandum. CapitaLand has guided us in developing international best practices in risk and internal controls and helped us keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisitions. CapitaLand also performs regular internal control audits, contributing to our corporate governance efforts. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces pursuant to a deed of non-competition undertaking by CapitaLand China and CapitaLand Cayman. See "Our Relationship with CapitaLand."

Since our inception and up until December 31, 2018, we had completed an aggregate GFA of approximately 30.1 million sq.m. (including GFA which had been sold). As of December 31, 2018, we had a total of 118 projects in Henan in various stages of development, including an aggregate planned GFA of approximately 21.7 million sq.m. of properties under development and an aggregate planned GFA of approximately 24.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. As of December 31, 2018, we had also entered into land grant contracts or land grant confirmation agreements in respect of development sites with an aggregate planned GFA of approximately 10.8 million sq.m. for which we had not yet obtained land use rights certificates.

We intend to continue to execute our provincial and regional strategy on the Henan market by further solidifying our leading position in Henan's residential property market and leveraging our local knowledge and market reputation to expand our business in Henan. We plan to continue to focus on developing medium to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities. We believe these will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, in the second half of 2015, we launched a light-asset development strategy in relation to the delivery of its brands, its management and its capital based on the Company's judgement of the development of the real estate industry as well as its understanding of demand for cooperation in development of real estate market in order to strengthen the profitability, expand the market share and enhance the composite competitiveness as well as to maximise the value of the Company's brands. As of December 31, 2018, we have entered into 110 management entrustment agreements to develop, operate and manage real estate projects of third parties, or light-asset model projects, with total planned GFA of approximately 16.6 million sq.m. We intend to continue engaging in such light-asset strategy to further capitalize on our brand value and diversity our income sources.

For the years ended December 31, 2016, 2017 and 2018, our revenue was RMB9,495.0 million, RMB13,879.2 million and RMB14,783.5 million (US$2,150.2 million), respectively, and our net profit attributable to equity holders of our Company was RMB403.0 million, RMB811.4 million and RMB1,154.3 million (US$167.9 million) respectively. We have also achieved contracted sales of RMB53,675 million (US$8,111.6 million) for the year ended December 31, 2018, representing an increase of 76.5% as compared to the year ended December 31, 2017. The contracted sales GFA for the year ended December 31, 2018 was 7.4 million sq.m. and the contracted average selling price was RMB7,221 per sq.m.

Recent Developments

Subsequent to December 31, 2018, we have acquired the following land parcels:

Date of acquisition	Location	Attributable interest	Planned total GFA (sq.m.)	Consideration (RMB Mn)	Average GFA land cost (RMB/sq.m.)	Type [(1)]
January, 2019	Luoyang	80%	283,318	140	494	R, C, K
January, 2019	Zhengzhou	100%	84,550	1,320	15,612	R, K
January, 2019	Xuchang	100%	327,136	319	975	R, C, K
January, 2019	Nanyang	51%	310,354	113	364	R, C, K
January, 2019	Zhumadian	51%	146,673	93	634	R, C, K
January, 2019	Zhengzhou	100%	57,431	99	1,724	D, C, K
February, 2019	Zhengzhou	100%	111,580	1,680	15,056	R, K
March, 2019	Zhengzhou	100%	164,683	2,520	15,302	R, C, K
March, 2019	Anyang	95%	211,378	284	1,344	R, C, K
March, 2019	Yuzhou	100%	90,487	75	829	R, C, K
March, 2019	Zhoukou	85%	150,186	182	1,205	R, C, K
			1,937,776	6,824		

Notes:

(1) Property type includes Commercial "C", Residential "R", Carpark "K" and Condo "D".

Issuance of the January 2019 Notes

On January 29, 2019, we issued guaranteed 7.325% senior notes in an aggregate principal amount of US$200.0 million, which will be fully repayable by January 27, 2020. See "Description of Other Material Indebtedness – January 2019 Notes" for details.

Services Agreements with Central China New Life

The Company has entered into several services agreement with Central China New Life, which is directly owned as to more than 30% by Mr. Wu.

On August 31, 2018, the Company entered into the 2018 Consultation Services Agreement with Central China New Life, pursuant to which Central China New Life will provide certain consultation services to the Company and its subsidiaries. On January 31, 2019, the Company entered into the 2019 Consultation Services Agreement with Central China New Life to renew the 2018 Consultation Services Agreement. The 2019 Consultation Services will expire on December 31, 2021.

On November 30, 2018, the Company entered into the 2018 Hotel Management Agreement with Central China New Life, pursuant to which Central China New Life will provide certain hotel management services for the hotels of the Company and its subsidiaries. On January 30, 2019, the Company entered into the 2019 Hotel Management Agreement with Central China New Life to renew the 2018 Hotel Management Agreement. The 2019 Hotel Management will expire on December 31, 2021.

On November 30, 2018, the Company entered into the 2018 Tourism Services Agrement with Central China New Life, pursuant to which Central China New Life will provide certain customized solution services for business tourism in respect to the promotion of the business of the Company and its subsidiaries. On January 31, 2019, the Company entered into the 2019 Tourism Services Agreement with Central China New Life to renew the 2018 Tourism Services Agreement. The 2019 Tourism Services will expire on December 31, 2021.

On November 30, 2018, the Company entered into the 2018 Marketing Agreement with Central China New Life, pursuant to which Central China New Life will provide the overall management services, including operation, administration and management, security and maintenance, concierge, cleaning, gardening and other ancillary services in respect to marketing centres of the Company and its subsidiaries for the sales and promotion of real estate projects. On January 31, 2019, the Company entered into the 2019 Marketing Agreement with Central China New Life to renew the 2018 Marketing Agreement. The 2019 Marketing will expire on December 31, 2021.

On November 30, 2018, the Company entered into the 2018 Patrolling Services Agreement with Central China New Life, pursuant to which Central China New Life will provide patrolling services of vacant properties of the Company and its subsidiaries. On January 31, 2019, the Company entered into the 2019 Patrolling Services Agreement with Central China New Life to renew the 2018 Patrolling Services Agreement. The 2019 Patrolling Services will expire on December 31, 2021. Pursuant to the 2019 Agreements, the Company also procures the property management services provided by Central China New Life for the management of the office buildings and other properties owned by the Company and being used by the Company for its business operation. Moreover, pursuant to the 2019 Agreements, the Company procures the property examination and post-completion checking services provided by Central China New Life to the Company for its newly completed properties.

On March 29, 2019, the Company entered into a membership maintenance and management services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide membership maintenance and management services to the Company and its subsidiaries in respect of various residential communities, as well as large-scale event organization and planning services.

On March 29, 2019, the Company entered into a greenhouse management services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide services to the Company and its subsidiaries in respect of agricultural project promotion, brand promotion and operation management, technical support services to the facility of agricultural projects, agricultural product sales management and agricultural product planting service.

On March 29, 2019, the Company entered into an intelligent technology services framework agreement with Central China New Life with a term from January 1, 2019 to December 31, 2021, pursuant to which Central China New Life will provide the sales and provision of intelligent products and related services to the Company and its subsidiaries, including but not limited to engineering installation, software development and related consulting services.

Sale-back of the 2016 Corporate Bonds

In 2016, CCRE China, an indirect wholly-owned subsidiary of the Company, issued the 2016 Corporate Bonds with an aggregate face value of up to RMB3,000,000,000 and a term of five years. Pursuant to the terms of the 2016 Corporate Bonds, the investors may choose to register during the sale back registration period to sell back the 2016 Corporate Bonds in part or in whole at face value, or choose to continue to hold the 2016 Corporate Bonds. On March 1, 2019, CCRE China commenced the implementation of sale back regarding the 2016 Corporate Bonds.

Our Competitive Strengths

We are the leading residential property developer in Henan

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See "– Awards and Certificates." With an operating history of 27 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 30.1 million sq.m. between 1992 and December 31, 2018. Leveraging our experience and well recognized brand name, we have expanded into 95 cities across Henan, including all 18 prefecture-level cities and 77 county-level cities, as of December 31, 2018.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 109.1 million as of December 31, 2018. From 2008 through 2018, Henan's GDP grew from RMB1,801.9 billion to RMB4,805.6 billion, representing a CAGR of 10.3%. From 2008 to 2018, Henan's urbanization rate also grew significantly by 15.7 percentage points, from 36.0% to 51.7%, which was yet at a level considerably below the national urbanization rate of 59.6% in 2018, leaving room for further growth in urbanization in Henan. With an average commodity property price of RMB5,355 per sq.m. in 2017 according to the Henan Statistical Yearbook 2017, Henan's property market is still at a relatively early stage of development with significant long term growth potential. In 2017, the GDP of Henan province realized a 7.8% growth compared to 2016 while the GDP nationwide represented a year-on- year growth of 6.9%. We believe our established strong presence and leading position in Henan will position us well to capitalize on Henan's growth.

We benefit from strong relationships with CapitaLand and other business partners

We have strong relationships with international and domestic business partners. CapitaLand, one of the largest real estate companies in Asia, has been our second largest shareholder since December 2006. See "Our Relationship with CapitaLand."

In addition, we have built up strong working relationships with established domestic and international design firms, construction companies, building material suppliers, and property management companies. We also cooperate with renowned international hotel management companies such as Starwood Hotels & Resorts Worldwide, Inc. and the InterContinental Hotels Group to build up our hotel management capabilities and enhance the operations of our hotel projects. These business partners, who cooperate with us in areas ranging from design and construction to property management and hotel operation, help reinforce our strength in delivering high-quality products and services.

We enjoy strong brand recognition supported by our long track record in Henan, our high-quality differentiated products and after-sales services

Having engaged in property development in Henan for 27 years, we have established "建業" *(Jian Ye)* as a well-recognized brand for good quality and innovative design in Henan's residential property market. We completed an aggregate GFA of approximately 30.1 million sq.m. between 1992 and December 31, 2018. We have been recognized as one of the "Top 10 Real Estate Enterprises by Brand Value in Midwestern China" according to the China Real Estate Top 10 Research Team since 2007. The Company ranked 41st in the "2017 Top 500 Chinese Property Developers" in the "2018 Assessment Report on Top 500 Chinese Property Developers" published on 21 March 2018 and topped the list of "Top 10 Chinese Property Developers in Regional Operations" for ten consecutive years. According to the "Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018" published on 25 May 2018, the Company ranked 26th on the "2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths" and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the "2018 Fortune China 500 List" released by the Fortune magazine on 10 July 2018, the only property developer in Henan province on the list. See "- Awards and Certificates." We have built our brand primarily through offering quality products and services that we believe are among the best available in the relevant markets. We select and maintain good relationships with established architecture and design firms, construction companies and suppliers. We emphasize workmanship quality, innovative interior design and integrated landscaping to create desirable living environments. Moreover, we develop properties with designs and concepts tailored to meet the needs of our target customers, as evidenced by Forest Peninsula, U-Town and Code One City. We also provide an array of value-added services through our three major service regimes, namely the CCRE Property 1.0, the "E+ Family" APP 2.0 and the "Jianye Junlin Club" 3.0, for satisfying the need of property owners for more delicate, civilized and personalized services.

We have received numerous awards for our product quality and design innovation, such as the Asian Habitation Model Project Award given to the Forest Peninsula (Zhengzhou) project and the designation of the Landmark (Zhengzhou) as one of China's Most Reputable Projects at the Eighth China International Real Estate & Architectural Technology Fair in 2006. We believe our experience and ability to develop high-quality properties, as well as the recognition accorded to us by the property industry and buyers alike, enable us to sell our properties at a premium.

We have sufficient low-cost land reserves in strategic locations in Henan to support our future development

We undertake extensive market research to identify land in cities with significant development and growth potential. Currently our strategic presence encompasses 88 cities in Henan, which include all 18 prefecture-level cities. Our selection criteria include GDP, population, disposable income, and other factors. Most of our land reserves are strategically located in town centers with convenient transportation access.

We believe we have been able to maintain a relatively low land cost base. As of December 31, 2018, the average acquisition cost of our land reserves, which include land for which land use rights certificates are pending, was approximately RMB1,062 per sq.m. (US$154.5 per sq.m.) of GFA, based on our

internal records. For the years ended December 31, 2016, 2017 and 2018, our land acquisition cost recognized in cost of sales in respect of properties completed and sold accounted for approximately 20.7%, 18.3% and 16.5% of our revenue from the sale of properties, respectively.

As of December 31, 2018, we had an aggregate planned GFA of approximately 21.7 million sq.m. of properties under development and an aggregate planned GFA of approximately 24.4 million sq.m. of properties held for future development for which we had obtained land use rights certificates. With our current land reserves, we believe we have a sufficient land bank for development for approximately three to five years.

We have access to diverse funding sources

We have access to the international capital markets through equity and debt offerings. We completed our IPO and listed our shares on the Hong Kong Stock Exchange in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we completed an offering of our 2009 Convertible Bonds with Warrants with a principal amount of HK$765 million, an offering of our 2010 Notes with a principal amount of US$300 million, our 2011 Rights Issue of 428 million shares raising net proceeds of HK$718.2 million, an offering of our 2012 Notes with a principal amount of S$175 million, our January 2013 Notes with a principal amount of US$200 million, our June 2013 Notes with a principal amount of US$400 million, our 2014 Notes with principal amount of S$200 million, our 2015 Notes with a principal amount of US$300 million, our 2016 Notes with a principal amount of US$200 million, our July 2017 Notes with a principal amount of US$200 million, our March 2018 Notes with a principal amount of US$300 million, our April 2018 Notes with a principal amount of US$386 million, our May 2018 Notes with a principal amount of S$150 million, the Corporate Bonds with a principal amount of RMB3.0 billion, and our January 2019 Notes with a principal amount of US$200 million. In addition, we have established close relationships with domestic trust companies, offshore banks and major PRC commercial banks, which have enabled us to obtain trust financing and new bank loans. In October 2013, we obtained the 2013 Term Loan Facility from lenders comprising both offshore and major PRC commercial banks. In March 2017, we obtained the 2017 Facility. We believe that our ability to access different funding sources provides us with flexibility to fund our operations and enhances our liquidity.

We have a highly effective management structure and an experienced management team

We adopt a three-tier management structure. Our headquarters oversees development and acquisition, product design, marketing, budgeting and strategy. Our 9 district companies are responsible for feasibility assessment of potential projects, government relationship management and implementation of construction quality control policies. Our project companies are responsible for day to day on site management. This enables us to optimize the resources and enhance our operating efficiency.

Mr. Wu Po Sum, our chairman and a founder of our Group, has extensive experience in property development in Henan and is a prominent real estate entrepreneur in China. He was recognized as one of the "Most Influential Persons in China's Real Estate Industry for the Last 30 Years" in Boao Real Estate Forum in June 2008 and an "Annual Leader of China's Real Estate Industry" by 2010 China New Vision of Real Estate Summit in January 2010. In addition, our board of directors comprises experienced executive, non-executive and independent non-executive members including, among others, two appointees from CapitaLand. In February and March 2017 respectively, our CEO, Mr. Yuan Xujun and CFO, Mr. Hu Ping, joined us and brought in their extensive experience in the property development industry to the Group. We have been able to capitalize on the collective expertise of our management team so that we can develop and sell properties that appeal to our target customers across Henan. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Our Business Strategies

Further strengthen our leading position in Henan's residential property market

We intend to continue to execute our provincial and regional strategy to focus on Henan's property market. We intend to further solidify our leading position in Henan's residential property market through investments in land acquisitions in our key markets and continue to utilize our local knowledge and market reputation to expand our business in Henan province, both in cities where we already have developments and in others where we do not yet have developments. We plan to continue to focus on developing mid to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities in Henan and gradually expand to all county-level cities in Henan. These will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, we also intend to leverage on our leading position in Henan and continue our light-asset strategy to develop, operate and manage real estate projects of third parties, or light-asset model projects, in order to capitalize on our brand value and diversity our income sources. See "– Management Entrustment Arrangements."

Optimize our land reserves

To grow our business, we intend to optimize our land reserves through prudent financial and project planning and selective acquisitions, with a view to maintaining a land bank optimally structured to meet customer demand and capture growth potentials of the regional markets. We intend to continue our strategic acquisition of development sites for future development, either directly through land acquisitions or indirectly by cooperating with business partners or acquiring a stake in project companies. Meanwhile, we seek to remain disciplined in our capital commitments and incurrence of additional debt in order to maintain a balance between operation scale and prudent financial management. We plan to continue to base our land acquisition decisions on thorough research and analysis of a project's expected return in the context of forecasted property market trends and economic trends in the relevant city. At the same time, we intend to maximize our operational efficiency by taking into account the geographical distribution of our land sites, seeking to achieve an optimal order of development schedules by accelerating in select cities such as Zhengzhou. We also seek to diversify our land reserves while continuing our focus on residential property development.

Further enhance our brand recognition in Henan

We place significant emphasis on developing our brand image and will continue to introduce quality products and services in order to enhance our reputation. We have worked closely with leading domestic and international architecture and design firms, such as Centaland, The Architecture Design and Research Institute of Henan, and Shenzhen General Institute of Architectural Design and Research, in creating products that reflect our vision and assimilate recent trends, and we intend to continue to do so in the future. To ensure the quality of our products, we have entered into strategic partnerships with a number of established construction companies and suppliers, such as Zhongtian Construction Group Co., Ltd., China Construction Seventh Engineering Division Corp. and LG Chem, Ltd. We intend to continue to employ strict quality control standards and to closely monitor product quality and workmanship throughout the development process.

In addition, we intend to expand our customers based and we established the "Jianye Junlin Club" in the first half of 2016 to provide a brand new service platform to provide personal and customized services to customers that focuses on lifestyle and networking. We believe that by providing value-added services to our existing and prospective customers, we will be able to further enhance our brand recognition and strengthen brand loyalty.

Finally, we have started to develop eco-friendly products. We have created a task force within our Company to continue working on green issues. We also set specific targets for sustainable development of buildings in the next several years according to the Evaluation Standards for Green Buildings（綠色

建築評價標準）promulgated by the Ministry of Construction in 2006. We believe these measures will make our projects more appealing to our target customers and further strengthen our brand in the medium to long term.

Further improve our operational efficiency and profitability

We intend to further improve our operational efficiency and profitability in order to enhance our competitiveness and achieve sustainable and stable profit growth.

We plan to continue to implement our business model of developing properties in product lines with similar designs and standardized construction materials across different project sites. Moreover, we plan to launch new product lines first in more mature markets such as Zhengzhou and, once successful, we would seek to develop such new products in other cities. We believe this approach promotes efficiencies of scale which in turn results in accelerated project development cycles and greater bargaining power in the procurement of materials and services.

We have implemented a top-down co-investment scheme in the first half of 2017 and intend to further develop and adjust the scheme from time to time for better aligning the interest of the Group and all the employees. We believe the co-investment scheme will boost the morale and enhance the operational efficiency and profitability.

We intend to further strengthen our collaborative relationship with our business partners. Because the cost of building materials constitutes a significant portion of our total construction costs, we intend to continue to leverage our strategic relationship with major raw material suppliers to obtain favorable purchase prices for construction materials. We also intend to strengthen our collaboration with other established service providers, such as design firms, construction companies and supervisory companies, under existing long-term framework agreements in order to further improve our cost efficiency.

Overview of our Property Developments

As of December 31, 2018, we had a total of 118 property projects in various stages of development, all of which are located in Henan except for 1 project located in Sanya, Hainan. We classify our property projects, for which we have obtained the relevant land use rights certificates, into the following three categories:

- **Completed property developments.** A development is considered "completed" when a joint inspection report is signed by our project company, the contractors, the design firms, the surveying company and the supervisory company of the relevant development and the certificate of completion is issued.

- **Properties under development.** A property is considered as being "under development" immediately after the issuance of a construction permit but prior to the issuance of the completion certificate.

- **Properties held for future development.** A property is considered as being "held for future development" when we have obtained land use rights certificates but have not yet received the construction permit.

Our property projects are developed in multiple phases and each phase may be in a different stage of development. As of December 31, 2018, our completed property developments had an aggregate GFA of approximately 30.1 million sq.m. (including GFA which had been sold). Our properties under development and properties held for future development (for which we had obtained land use rights certificates) had a total planned GFA of approximately 21.7 million sq.m. and 24.4 million sq.m., respectively.

Information for our projects is given in GFA. GFA information is based on relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. Total GFA of a project comprises saleable GFA and non-saleable GFA. Total GFA also represents the sum of the total completed GFA, total planned GFA under development and total planned GFA held for future development. A graphical presentation of the components of total GFA is below:

Saleable GFA	**Non-Saleable GFA**
• Internal floor areas allocated to rental units/properties for sale	• Clubhouses
• GFA held for investment only	• Schools
• "Fixed asset" areas	• Other ancillary facilities not for sale

TOTAL GFA

Total Completed GFA	Total Planned GFA under development*	Total Planned GFA held for future development*

* *Applicable only to properties that have not been completed.*

"Total completed GFA" refers to the total GFA of our completed property developments. It includes saleable and non-saleable GFA. "Saleable GFA" represents the GFA of a property which we intend to sell. Saleable GFA cannot exceed the specifications set forth in the relevant land grant contracts or other approval documents from the local governments. "Non-saleable GFA" represents the GFA of a property that is not for sale and largely includes ancillary facilities.

The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. All other information for GFA that appears in this offering memorandum is based on our internal records and estimates.

Our Property Projects

Our property projects are located in cities across Henan. The following table sets forth certain information of our construction plan in 2019 as of December 31, 2018:

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Zhengzhou	Gongyi Spring Time	Residential	201,282
Zhengzhou	Gongyi Chinoiserie Palace	Residential	87,504
Zhengzhou	Jianye – Chengyuan	Residential	116,667
Zhengzhou	Jianye – Art Mansion	Residential	346,440
Zhengzhou	Land Parcel Located at Northeast of Xinmi	Residential	76,528
Zhengzhou	Land Parcel Located at Southeast of Xinmi	Residential	152,816
Zhengzhou	Xinzheng Tianhuicheng	Residential	198,684
Zhengzhou	Zhengxi U-Town	Residential	305,317
Zhengzhou	Project of Zhengzhou J18	Commercial	324,042
Zhengzhou	Zhengzhou Beilong Lake Land No. 24	Residential	82,495
Zhengzhou	Zhengzhou Harbour Zone Land No. 123	Residential	129,786
Zhengzhou	Zhengzhou Blossom Garden	Residential	37,044
Zhengzhou	Zhengzhou Jianye Fuju-Huayuankou Intelligent Square	Commercial	92,833
Zhengzhou	Zhengzhou Jianye Fuju-Wulong Century New City	Residential	206,300
Zhengzhou	Zhengzhou Jianye Tihome-International City	Residential	690,565
Zhengzhou	Dengfeng Songyue Mansion	Residential	231,296
Zhengzhou	Zhengzhou Yingtaogou	Residential	141,996
Kaifeng	Kaifeng CCRE Mall	Residential	165,935
Kaifeng	Kaifeng Jianye Headquarter Port	Commercial	87,866
Kaifeng	Kaifeng Taihe House	Residential	145,497
Kaifeng	Lankao Music Town	Residential	273,319
Kaifeng	Project of Qi County Jingsan Road	Residential	79,960
Luoyang	Luanchuan Luanzhou House	Residential	199,199
Luoyang	Luoyang Binhelong House	Residential	235,798
Luoyang	Luoyang Dachengxiaoyuan	Residential	92,274
Luoyang	Luoyang Dingding House	Residential	155,596
Luoyang	Luoyang Jianye Technology City	Residential	87,835
Luoyang	Luoyang Longcheng Dongwang	Residential	151,477
Luoyang	Luoyang Honorable Mansion	Residential	20,424
Luoyang	Yanshi Forest Peninsula	Residential	36,966
Pingdingshan	Pingdingshan Spring Time	Residential	230,394
Pingdingshan	Pingdingshan Eighteen Cities	Residential	43,377
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden	Residential	147,637
Pingdingshan	Wugang Forest Peninsula	Residential	66,132
Anyang	Anyang Sweet-Scented Osmanthus Garden	Residential	58,691
Anyang	Anyang Jianye City	Residential	113,536
Anyang	Anyang Xingye Avenue	Residential	120,367
Hebi	Hebi Green House	Residential	81,383
Hebi	Hebi Qishuiguanlu	Residential	113,403
Xinxiang	Project of Fengqiu Huangchi Road	Residential	244,004
Xinxiang	Hui County Code One City	Residential	125,544
Xinxiang	Jianye Beverly Manor	Residential	294,436
Xinxiang	Xinxiang U-Town	Residential	4,875
Xinxiang	Xinxiang Chinoiserie House	Residential	519,960
Xinxiang	Changyuan Forest Peninsula Courtyard	Residential	187,259
Jiaozuo	Jiaozuo Zhenyuehui	Residential	141,514
Jiaozuo	Wuzhi Star Mall	Residential	132,356
Puyang	Puyang Industrial Park	Residential	132,453
Puyang	Puyang Jianye New City	Residential	4,613
Puyang	Puyang Jianye Landmark	Residential	147,860
Puyang	Puyang Chinoiserie House	Residential	333,715
Puyang	Puyang Code One City	Residential	34,265
Puyang	Puyang Zhenyuehui	Residential	142,689
Xuchang	Xiangcheng CCRE Mall	Residential	283,937
Xuchang	Yanling Eco-City	Residential	31,602
Xuchang	Yuzhou Spring Time	Residential	207,625
Xuchang	Changge Sweet-Scented Osmanthus Garden New City	Residential	252,107
Xuchang	Changge Forest Eco-City	Residential	96,518
Luohe	Luohe Sweet-Scented Osmanthus Garden West District	Residential	123,718
Luohe	Project Luohe Jinjiang Road	Residential	216,282

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Luohe	Luohe Xicheng Forest Peninsula	Residential	93,861
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	63,937
Sanmenxia	Sanmenxia Honorable Mansion	Residential	91,980
Shangqiu	Minquan Project	Residential	204,602
Shangqiu	Shangqiu Blossom Garden	Residential	141,407
Shangqiu	Sui County Project	Residential	77,017
Shangqiu	Yongcheng Project	Residential	199,981
Shangqiu	Yucheng Project	Residential	62,310
Shangqiu	Zhecheng Project	Residential	221,192
Zhoukou	Huaiyang CCRE Mall	Residential	90,639
Zhoukou	Shangshui Yangcheng Courtyard	Residential	20,976
Zhoukou	Taikang Jianye City	Residential	16,240
Zhoukou	Taikang Eco-City	Residential	95,604
Zhoukou	Taikang Xingfuli East Garden	Residential	128,754
Zhoukou	Xihua Jicheng Courtyard	Residential	30,590
Zhoukou	Zhoukou Jianye City	Residential	188,486
Zhoukou	Zhoukou Jianye Landmark	Residential	107,647
Zhoukou	Zhoukou Green House	Residential	206,175
Zhoukou	Zhoukou Shiyue House	Residential	35,490
Zhumadian	Project at the Cross of Dexin Road and Cheyu Avenue, Pingyu	Residential	298,809
Zhumadian	Pingyu Jianye City	Residential	8,165
Zhumadian	Xincai Jianye CCRE Mall	Residential	20,833
Zhumadian	Xincai Jianye Sweet-Scented Osmanthus Garden	Residential	151,720
Zhumadian	Zhengyang Jianye City	Residential	7,600
Zhumadian	Zhumadian Spring Time	Residential	226,696
Zhumadian	Zhumadian Zhenyuehui	Residential	282,451
Nanyang	Nanyang Longyue City	Residential	190,049
Xinyang	Gushi Jianye City	Residential	112,423
Xinyang	Huangchuan Poject	Residential	124,412
Xinyang	Luoshan Project	Residential	90,000
Xinyang	Xi County Project	Residential	89,539
Xinyang	XinyangYinxiang Hushan	Residential	211,661
Xinyang	Xinyang Jianye City	Residential	235,513
Jiyuan	Jiyuan Code One City Noth	Residential	63,309
	Total		**13,976,061**

The following table sets forth certain information of our delivery plan in 2019 as of December 31, 2018:

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Zhengzhou	Gongyi Spring Time	Residential	172,522
Zhengzhou	Zhengzhou Jianye Tihome-International City	Residential	337,276
Zhengzhou	Xinmi Code One City	Residential	63,238
Zhengzhou	Zhengxi U-Town	Residential	219,942
Zhengzhou	Zhengzhou Huayuankou Intelligent Palace	Residential	160,025
Zhengzhou	Zhengzhou Blossom Garden	Residential	324,446
Zhengzhou	Zhengzhou Fuli-Wulong Century New City	Residential	250,021
Zhengzhou	Zhengzhou Canal Courtyard	Residential	93,022
Kaifeng	Kaifeng Chrysanthemum Garden	Residential	130,115
Luoyang	Luoyang Sweet-Scented Osmanthus Garden	Residential	120,382
Luoyang	Yanshi Forest Peninsula	Residential	79,638
Pingdingshan	Wugang Forest Peninsula	Residential	29,187
Anyang	Anyang Jianye City	Residential	155,018
Anyang	Hua County Code One City	Residential	126,592
Hebi	Hebi Code One City	Residential	86,413
Xinxiang	Jianye Beverly Manor	Residential	149,336
Xinxiang	Qinyang Jianye Spring Time	Residential	86,919
Xinxiang	Xinxiang Code One City	Residential	103,057
Xinxiang	Changyuan Forest Peninsula	Residential	110,697
Jiaozuo	Jiaozuo Spring Time	Residential	22,898
Jiaozuo	Jiaozuo Central Garden	Residential	82,540
Jiaozuo	Xiuwu Forest Peninsula	Residential	54,481
Puyang	Puyang Jianye New City	Residential	61,483
Puyang	Puyang Code One City	Residential	121,046
Xuchang	Xuchang Sweet-Scented Osmanthus Garden	Residential	135,188
Xuchang	Xuchang Chinoiserie House	Residential	71,234
Xuchang	Xuchang Code One City	Residential	32,574
Xuchang	Yanling Eco-City	Residential	28,162
Xuchang	Yuzhou Sweet-Scented Osmanthus Garden	Residential	69,965
Xuchang	Changge Spring Time	Residential	83,352
Luohe	Luohe Xicheng Forest Peninsula	Residential	81,624
Luohe	Luohe Code One City	Residential	30,541
Sanmenxia	Lingbao Forest Peninsula	Residential	34,433
Sanmenxia	Sanmenxia New District Forest Peninsula	Residential	80,825
Sanmenxia	Sanmenxia Code One City	Residential	84,200
Shangqiu	Shangqiu Central Garden	Residential	80,073
Shangqiu	Shangqiu Hill Water Lake City	Residential	222,992
Shangqiu	Yongcheng U-Town	Residential	76,340
Shangqiu	Zhecheng U-Town	Residential	37,324
Zhoukou	Luyi Jianye City	Residential	271,744
Zhoukou	Shenqiu Jianye City	Residential	120,981
Zhoukou	Xiangcheng Spring Time	Residential	73,247
Zhoukou	Zhoukou Jianye Landmark	Residential	164,973
Zhoukou	Zhoukou Forest Peninsula	Residential	76,098
Zhumadian	Pingyu Jianye City	Residential	163,033
Zhumadian	Suiping Jianye Forest Peninsula	Residential	120,033
Zhumadian	Xiping Forest Peninsula	Residential	88,695
Zhumadian	Xincai Jianye CCRE Mall	Residential	104,662
Zhumadian	Zhengyang Jianye City	Residential	167,816
Zhumadian	Zhumadian Jianye Eighteen Cities	Residential	188,890
Nanyang	Nanyang Shilihushan	Residential	71,608
Nanyang	Nanyang Code One City	Residential	178,716
Xinyang	Xinyang Jianye City	Residential	25,798
	Total		**6,105,415**

The following table sets forth the breakdown of our land bank by city and property type as of December 31, 2018:

City	Residential	Commercial	Hotel	Others	Subtotal	%
Zhengzhou	8,756,386	1,909,846	135,700	2,876,795	13,678,727	29.7%
Luoyang	2,633,365	39,824	–	818,436	3,491,625	7.6%
Sanmenxia	833,678	7,859	–	215,642	1,057,179	2.3%
Zhumadian	2,170,899	239,974	–	536,463	2,947,336	6.4%
Xinyang	688,816	38,679	6,700	124,960	859,155	1.9%
Nanyang	1,302,246	21,320	–	343,967	1,667,533	3.6%
Luohe	408,373	17,050	–	168,612	594,035	1.3%
Xuchang	1,670,574	85,626	57,357	520,083	2,333,640	5.1%
Pingdingshan	1,340,723	199,085	30,000	348,213	1,918,021	4.2%
Kaifeng	1,114,014	338,864	12,837	190,567	1,656,282	3.6%
Shangqiu	1,130,309	111,616	–	224,890	1,466,815	3.2%
Zhoukou	2,630,095	185,938	29,286	640,708	3,486,027	7.5%
Jiaozuo	1,259,747	27,332	–	212,128	1,499,207	3.3%
Xinxiang	2,296,104	105,381	–	609,222	3,010,707	6.4%
Jiyuan	558,730	20,570	–	160,839	740,139	1.6%
Anyang	1,810,441	66,325	–	387,910	2,264,676	4.9%
Puyang	1,563,460	199,017	17,000	547,902	2,327,379	5.1%
Hebi	157,777	10,576	–	21,853	190,206	0.4%
Sanya	887,920	–	–	–	887,920	1.9%
Total	**33,213,657**	**3,624,882**	**288,880**	**8,949,190**	**46,076,609**	**100.0%**

The following table sets forth the breakdown of our land bank by development phase as of December 31, 2018:

	Total GFA	%
Underdevelopment	21,720,591	47.1%
Held for future development	24,356,018	52.9%
	46,076,609	**100.00%**

Key Product Lines

We have developed four principal product lines: Forest Peninsula, U-Town, Code One City and Triumph Plaza. Our Forest Peninsula projects target established middle class and feature streams, lakes, causeways, sidewalks and trees to create a "forest" or "lakeside" theme. These projects mostly consist of townhouses, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities. Our U-Town projects target at high-end users and consist of mixed-use developments, retail units, office buildings and residential apartments. Code One City projects target at rising middle class and consist of residential projects with a focus on innovative design with an art deco theme. Our Triumph Plaza projects target at small to middle enterprises and consists of high-rise commercial buildings with office and retail area. As of December 31, 2018, we had 118 projects in various stages of development (including completed projects) falling within the Forest Peninsula, U-Town, Code One City and Triumph Plaza lines.

Most of the properties we develop are residential complexes consisting of townhouses, low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings and retail units. We target mid to high-end customers and select designs, materials, environmental elements and services with that market in mind.

Our focus is on the development of residential properties. Most of our retail units have been developed to complement our residential properties. These retail units are relatively small in terms of GFA and comprise only a small portion of the total GFA of our projects. Therefore, we have adopted a strategy of launching sales of the retail units after a large proportion of the residential properties in the project have been sold or pre-sold, which we believe facilitates the sales of the retail units. In light of the above, we believe the low percentage of saleable GFA of retail units sold in these projects would not affect our results of operations and liquidity position.

Property Development Process

We summarize below the core elements of our typical project development process for our properties. We adopt a systematic operational approach beginning with planning, design and construction to pre-sale, sale and after-sale services.

Site selection and land acquisition	Certificates, permits and licenses	Financing, project planning and design	Construction work, procurement and quality control	Pre-sale and sales	After-sales services
• site identification/ evaluation/ selection • feasibility study • environmental impact assessment • public tender, auction or listing-for-sale and execution of land use rights grant contract or land use rights transfer agreement • payment of land premium/transfer consideration	• land use rights certificate • construction land planning permit • construction works planning permit • permit for commencement of construction work • pre-sale permit	• financing • in-depth market analysis and project positioning • master plan design, construction design and drawings	• construction contractor selection • construction supervision	• pre-sale permit application • sales and sales management • delivery of properties	• mortgage and registration assistance • handling of complaints • establishment and management of customer database

Site Selection

Site selection is a fundamental step in our property development process. Our investment and development center is responsible for identifying and evaluating sites for prospective property development. When selecting sites for our development projects, we usually consider a number of key factors, including but not limited to:

- geographical location of the development sites, for example, surrounding environment and amenities, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications;
- infrastructure available or to be made available by the local government;
- estimated cost, investment and financial return;
- special governmental requirements for the development of the relevant site; and
- applicable zoning regulations and preferential government policies.

Our investment and development center works closely with our sales and marketing center to assess the overall market positioning of a site and the sales potential in the market. Once we plan to acquire a piece of land, we prepare a feasibility report for approval by our strategic and investment committee on behalf of the Board.

Land Acquisition

Prior to July 2002, land use rights could be obtained through a land use rights grant contract executed between the property development enterprise and the local government authority. Since July 1, 2002, the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the MLR require that land use rights for industrial, commercial, tourism or entertainment use or for commodity property development in China be granted by the PRC government through public tender, auction or listing-for-sale. On September 28, 2007, the MLR issued the Regulations on the Grant of State-owned Land Use Rights for Construction through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), effective November 1, 2007, which provide that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; (ii) no land use rights certificates shall be issued before the land premium has been fully paid up in accordance with the land use rights grant contract; and (iii) the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium. Regulations do not prohibit us from paying the land premium by installments if such arrangement is stipulated under the relevant land use rights grant contract. In March 2010, the MLR issued a circular imposing more stringent requirements on the payment of land premium by property developers. The circular stipulates that at least 50% of land premium should be paid within one month after signing a land grant contract and the balance should be fully paid within one year after signing the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital.

As of December 31, 2018, we had obtained land use rights for property projects with an aggregate completed GFA of approximately 30.1 million sq.m. (including GFA which had been sold). We obtained the land use rights of seven parcels of land prior to July 1, 2002 through land use rights grant contracts entered into with the Department of Land and Resources of Henan Province. Grantees of land use rights pursuant to public tender, auction or listing-for-sale may dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the relevant land use rights grant contracts and the relevant laws and regulations. Therefore, to the extent permitted by law, we may choose to acquire land in the secondary market through negotiated transfers in addition to acquiring land by way of public tender, auction or listing-for-sale processes. When opportunities arise, we will also consider obtaining land use rights from third parties through co-development arrangements to increase our land reserves.

As of December 31, 2018, we had land with an aggregate planned GFA of approximately 21.7 million sq.m. under development and an aggregate planned GFA of approximately 24.4 million sq.m. held for future development for which we had obtained the relevant land use rights certificates.

Certificates, Permits and Licenses

Once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- ***Land use rights certificate***. The state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights;

- ***Construction land planning permit***. The 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;

- ***Construction works planning permit***. The 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;

- ***Construction permit***. The construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; and

- ***Pre-sale permit***. The 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 property developer is allowed to commence construction of a property development upon obtaining the permit for commencement of construction work which will only be issued after the land use rights certificate, the construction land planning permit and the construction works planning permit (together with the permit for commencement of construction work, collectively known as the "four certificates") are obtained.

Financing

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. In the past, we have also financed some of our property developments using trust arrangements and lease-back arrangements with a put option. The following summarizes our main financing methods for our projects:

- ***Internal funds from business operations***. Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which has been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. See "– Property Development Process – Pre-sale" in this section. We typically receive an initial payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.

- ***Funds raised from capital markets***. We completed our IPO in 2008, raising gross proceeds of approximately HK$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US$300 million. In June 2011, we completed the 2011 Rights Issue of 428 million shares raising net proceeds of approximately HK$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, April 2016, November 2016, July 2017, March 2018, April 2018, May 2018, January 2019 and June 2018, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes and the Corporate Bonds with principal amounts of S$175 million, US$200 million, US$400 million, S$200 million, US$300 million, US$200 million, US$200 million, US$300 million, US$386 million, S$150 million, US$200 million and RMB3.0 billion, respectively. We used the proceeds from these financing activities to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.

- ***Borrowings from banks and other parties***. As of December 31, 2018, our outstanding bank and other borrowings amounted to approximately RMB6,663.7 million (US$969.2 million), of which RMB3,910.0 million (US$568.7 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to continue funding our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from capital markets from time to time. As of December 31, 2018, the total contracted capital commitment of our projects amounted to approximately RMB24,153.2 million (US$3,512.9 million). For details of the capital commitment we have made relating to our projects as of December 31, 2018, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Commitments."

We believe we have maintained good business relationships with major commercial banks in China. In 2002, we were recognized as an "AAA Credit Level Customer" by the Henan branch of the Agricultural Bank of China. In 2006, we entered into a strategic cooperation agreement with the Henan branch of Bank of China Limited pursuant to which, among other things, the bank will display promotional materials for our newly launched property projects within their branch network and assist in the marketing of our properties. In turn, we will provide support for the bank's promotion of its housing mortgage services to purchasers of our properties. In 2006, we were also recognized as an "Excellent Credit Customer in the Banking Industry in Henan"(河南省銀行業信用優良客戶) by the Henan Bank Association. We were recently recognized as a "AA Credit Level Customer" by the Bank of China Limited and China Construction Bank Corporation recently acknowledged us as their "Headquarters and Henan Head Office Key Customer" and recognized us as one of the companies under their Headquarters' top enterprise list.

The PRC government has implemented a number of measures to prevent the PRC economy from overheating from time to time. PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. In 2012, PBOC decreased both the one-year lending rate and the reserve requirement ratios twice. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us. The China benchmark one-year lending rate is currently 4.35% and the current reserve requirement ratio ranges from 12%-14%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments. The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and our ability to obtain financing from commercial banks may be materially and adversely affected.

Project Planning and Design

Our product research and development department is responsible for the research and development of our property projects, for implementing systematic procedures for our property development and for the standardization of our products. This department provides standardized procedures for the design and construction of our projects with the aim of producing designs that can be reproduced in the different cities in which we operate. We believe that systematization and standardization of our projects help to control the quality, timing, and most importantly the cost of our projects.

Our product design department is responsible for monitoring the progress and quality of the architectural design and interior design of our property developments. Our product design department also works closely with our construction management department and sales and marketing center and generally considers their recommendations regarding product mix, project locations and market conditions.

We outsource the design work for our projects to third-party design firms and real estate consultants to help design various aspects of our projects, including master planning, architectural design, landscape design and interior design. In recent years we have engaged local and international design firms to design the master plans for our projects. We have also entered into strategic cooperation agreements with reputable design firms to ensure priority service in the design of the construction plans for our projects.

Construction Work, Procurement and Quality Control

We utilize a centralized procurement system to enhance our bargaining power with our suppliers and contractors, thereby reducing our construction and raw material costs. We do not maintain an in-house construction team; instead, our construction work is outsourced to third party construction companies, which are selected through a tender process for each property project. We generally hire more than one contractor for each of our projects. The construction companies are selected by our tender and procurement department which considers, among other things, the reputation of the contractors and the price quoted by the contractors. We conduct detailed due diligence work on the contractors during the bidding process before offering construction contracts to them. We typically examine their track record, industry reputation, qualification certificates, management and quality control systems and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit a bid for our construction contracts. These contractors typically have had relationships of one to three years with us.

Our standard construction contracts typically provide for an agreed price payable by us based on the reference prices of the relevant materials, equipment and components announced every quarter by the local PRC government authority. The reference prices may be adjusted at completion of the construction according to the then latest reference prices. We may also need to pay additional amounts to the contractors in excess of the agreed cost in certain circumstances, such as costs resulting from changes in designs during construction. Equipment and construction materials needed for our construction work are generally procured by our contractors except for specified materials, including elevators, windows, doors and water pipes which are centrally procured through our tender and procurement department. These contractors may, at their option, employ sub-contractors to assist in providing the services, but the contractors remain responsible to us for any act or negligence of sub- contractors. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of any delay or poor work quality, the contractor may be required to pay pre-agreed damages as stipulated in the construction contract. We require our contractors to comply with PRC laws and regulations governing the quality of construction projects, as well as our own standards and specifications stipulated in the construction contracts. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. In addition to engaging third-party contractors, we enter into strategic cooperation agreements with selected contractors. These agreements provide that we give preference to the contractors who are party to such agreements, provided that they provide terms and conditions similar to other contractors. We require that contractors meet certain minimum thresholds for performance track record and credit background before adding them to our list of preferred contractors.

Our construction supervision department is responsible for overseeing the quality and progress of the construction work. We also engage independent supervisory companies to conduct quality and safety control checks on all projects. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts generally provide for progressive payments throughout the construction process and we generally retain 5% of the total construction costs for a pre-agreed period of time after the construction is completed to secure any claim we may have due to any potential construction defects. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. During the past five years, we have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects.

During the past five years, we have not had any disputes with any of our major contractors which, individually or in the aggregate, had or would have a material adverse effect on our business and results of operations.

Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and deaths arising out of their construction work if such personal injuries, accidents and death are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred on our project sites during the past five years. We are not responsible for any labor problems our contractors might have. As to our risk in relation to environmental, social and safety problems due to noncompliance with PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for any resulting damages. To help ensure construction safety on our project sites and the compliance with PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in our construction contracts for construction workers to comply with during the construction process. We also engage independent supervisory companies to conduct quality and safety control checks on our projects.

Pre-sale

We aim to pre-sell properties before the completion of their construction. Under the Administrative Measures on the Pre-sale of Urban Commercial Housing (城市商品房預售管理辦法)(the "Pre-Sale Measures") and the PRC Urban Real Estate Administration Law (中華人民共和國城市房地產管理法), as amended in 2004, 2007 and 2009, respectively, we must comply with the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;

- the construction works planning permit and the permit for commencement of construction must have been obtained;

- the funds contributed to the development of the property development where property units are pre-sold must not be less than 25% of the total amount invested in the project and the progress, the expected completion date and the delivery date of the construction work must have been confirmed; and

- pre-sale permits must have been obtained from the county-level construction bureau or real estate administration authority.

In addition, according to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例), as amended in 2005 and 2010, more than half of the construction of the project has to be completed and the progress of the construction and the delivery date have to be ascertained before we can obtain a pre-sale permit for our projects in Henan.

Pursuant to the Pre-Sale Measures, before the completion of a pre-sold property project, the proceeds from pre-sales must be used only for the construction of the relevant pre-sold property project. A number of cities where our property projects are located, including without limitation Zhengzhou, Anyang, Luoyang, Jiaozuo, Pingdingshan, Luohe, Nanyang, Puyang and Shangqiu, further require that

pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. As of the date of this offering memorandum, we have established the required escrow accounts for our projects in these locations.

See the section entitled "Regulation – Transfer and Sale of Property" for further information on the regulations relating to pre-sales.

In the past, certain of our properties have been sold or pre-sold under lease-back arrangements with put options. This practice was not in full compliance with PRC regulations, and the relevant subsidiaries may be subject to a maximum penalty of RMB30,000 per violation.

Sales and Marketing

We handle sales through our own sales and marketing center. Our sales and marketing center is responsible for planning and formulating sales and marketing strategies. It is also responsible for carrying out market research, setting and executing marketing strategy and designing advertisements. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

We advertise in media such as newspapers, outdoor advertising boards and radio broadcasting. We also set up on-site reception centers at each of our projects to display information relating to the relevant property development. We have three major service regimes, namely the CCRE Property 1.0, the "E+ Family" APP 2.0 and the "Jianye Junlin Club" 3.0, for satisfying the need of property owners for more delicate, civilized and personalized services and increase customer loyalty. We distribute information related to property development to our members.

Customers' Payment Arrangements

Our customers, including those purchasing our properties and making pre-sale purchases, can pay with mortgage facilities arranged with banks. For 2018 approximately 70% of our customers purchase our properties through mortgage facilities. The mortgage payment terms for properties sold or pre-sold are substantially the same. Currently, purchasers who purchase additional properties subsequent to the purchase of a residential property with a mortgage loan are required to pay at least 60% of the purchase price as down payment with a loan interest rate of not less than 1.1 times the benchmark interest rate published by the PBOC. First-time purchasers who purchase a property are required to make a down payment of at least 30% of the purchase price when executing a sale or pre-sale contract. In each case, a mortgage loan with a maximum term of 30 years for the balance of the purchase price may be available to the purchasers. Typically, purchasers are required to pay the balance of the purchase price within one month following the execution of the sale or pre-sale contract when they purchase properties using mortgage financing.

If our purchasers choose not to finance their purchases with mortgage facilities, typically they are required to pay the purchase price in full at the time of the execution of the pre-sale or sale contract.

In accordance with market practice, we make arrangements with various PRC banks to provide mortgage loans to purchasers of our residential properties. For pre-sold properties, we provide guarantees to banks for the repayment of the mortgage loans granted to our customers. These guarantees are released upon completion of construction and either the delivery of the mortgage registration documents to the relevant banks after the issue of the building ownership certificate or the full settlement of the mortgage loans by our customers, whichever occurs earlier. From our experience, the guarantee periods typically last for six to 12 months after delivery of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2018, the outstanding guarantees in respect of the mortgage loans of our customers and customers of our joint ventures amounted to RMB29,523 million (US$4,293.9 million). In the years ended December 31, 2016, 2017 and 2018, defaults in relation to the mortgage loans taken out by our customers and secured by our guarantees were not for material amounts, individually or in

the aggregate. We were able to recover all of the default payments from the relevant property owners after the event of default since the proceeds from the resale of the defaulted properties exceeded the amount for which we were held liable as guarantor for our customers. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may become liable if our customers default on mortgages we have guaranteed" in this offering memorandum.

Delivery of Properties

Once a property development has passed the requisite government inspections and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three to six months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery.

Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may not be able to complete our development projects on time, within budget, or at all" in this offering memorandum.

After-sales Services

We assist our customers in arranging for mortgage facilities by providing information on potential mortgagee banks and the mortgage terms they may offer. We also assist our customers in various title registration procedures relating to their properties and attend to the delivery of the properties to our customers.

Our sales and marketing center provides services such as the processing of sales while Henan Central China Commercial Real Estate Management Company Limited handles rental enquiries. Our customer service center and customer service executive in each city are responsible for handling any complaints we may receive from our customers and arranging for and supervising the repair and maintenance of our developed properties in a timely manner.

Customers can become members of our Jianye Club for free. Please refer to "– Property Development Process – Sales and Marketing" in this section. We have established the "Jianye Junlin Club," a new service platform for providing customer services that focuses on sharing lifestyle and networking. The new service platform not only provides personal and customized services, but also attempts to reshape community relationship and neighborhood relations in the mobile internet era. The establishment of the Jianye Junlin Club represents another iteration and upgrade of our way of service, and we believe our ability to provide quality service will remain one of our core competitive strengths.

Property Leasing

We lease some of our retail units and parking spaces. Our tenants are primarily individual retailers and home owners. Our retail units are generally leased for terms of one to three years while our parking spaces are generally leased for a term of one year. However, for anchor tenants leasing comparatively large areas or more than one location, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of up to 20 years.

We are responsible for identifying prospective tenants for our retail units and conducting research to enhance the tenant profile and trade mix for each project, in each case on an on-going basis. We engage Jianye Property Management (a former subsidiary of ours which we sold to an independent third party in 2006 in order to focus on our core business) to handle the leasing of parking spaces in our residential developments.

As of December 31, 2018, we had a number of leases in connection with the underground shopping center in our Lakeside Square (Sanmenxia) Project, Luoyang Triumph Plaza and a clubhouse in our Forest Peninsula (Luoyang) Project. We plan to sell Luoyang Triumph Plaza with the benefit of these leases when a suitable opportunity arises but we plan to continue to hold the Lakeside Square

(Sanmenxia) and the clubhouse in the Forest Peninsula (Luoyang) Project for investment purposes. For the years ended December 31, 2016, 2017 and 2018, our revenue generated from rental properties amounted to RMB94.5 million, RMB94.9 million and RMB146.9 million (US$21.4 million) respectively.

As of December 31, 2018, the types of units retained by us for rental purposes include retail units, schools and a clubhouse.

Hotel Development

Since 2007, we have begun to build our hotel development capabilities in order to provide a stable revenue base to complement our variable development revenue. When we purchase parcels on which we plan to develop a hotel project, the hotel's projected independent profitability in the long term and its synergistic effect with our property development business are preconditions to our purchase. As of December 31, 2018, we had seven hotels in operation of which two of them commenced construction in 2018.

We have entered into hotel management agreements with several internationally recognized hotel management companies for the operation and management of our seven hotels in operation, including affiliates of Starwood Hotels & Resorts Worldwide, Inc., Holiday Inn (China) Co. Ltd.(假日酒店(中國)有限公司), a member of the InterContinental Hotels Group, and the Accor Hotels Group. We believe that by engaging these international hotel management companies to operate our hotels, we will be able to benefit from their global reputation, hotel operation expertise, as well as their integrated marketing services, reservation systems and employee training programs.

Our hotel project currently under development, Yanling Jianye The Mist Hot Spring Hotel is the first hotel to be operated by us independently.

The table below sets out details of our hotels as of December 31, 2018.

Name of hotels	Location	Number of rooms/suites	Total GFA	Status
Le Méridien Zhengzhou	Zhengzhou	350	65,007	In operation since 2013
Aloft Zhengzhou Shangjie	Zhengzhou Shangjie	172	19,800	In operation since 2011
Four Points by Sheraton Luohe	Luohe	244	34,426	In operation since 2012
Holiday Inn Nanyang	Nanyang	360	50,138	In operation since 2012
Pullman Kaifeng Jianye	Kaifeng	186	43,836	In operation since 2015
Yanling Jianye The Mist Hot Spring Hotel	Xuchang	51	19,940	In operation since 2018
Zhengzhou Jianye Sky Mansion	Zhengzhou	302	33,015	In trial operation since July 2018

Management Entrustment Arrangements

Since the second half of 2015, we have launched a light-asset development strategy based on our study and evaluation of the real estate development industry. Under this strategy, we aim to maximize our brand value by entering into management entrustment agreements or cooperation agreements with third party developer partners to develop, operate and manage their real estate projects, or as we call them, light-asset model projects. Pursuant to these agreements, we are engaged by our partners for the development, operation and management of these light-asset model projects for a set period of time, and in return, we receive royalty fees and performance fees representing a share of surplus profit of such projects from our partners. As of December 31, 2018, we had entered into 110 management entrustment arrangements in total. From time to time, we will evaluate other opportunities and enter into additional management entrustment arrangements with other third party developers. The revenue from such management entrustment arrangements are recognized as 'Management fee income' under 'Revenue' in our consolidated income statement.

Property Management Services

We engage a national first-grade property management company, Jianye Property Management, our former subsidiary, which we sold to an independent third party in 2006 in order to focus on our core business, to provide high-standard property management services to customers. The property management services provided to purchasers of our property projects include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and dealing with customer complaints.

According to a strategic cooperation agreement between CCRE China and Jianye Property Management dated August 25, 2006, we formed a strategic cooperation relationship with Jianye Property Management. Pursuant to the strategic cooperation agreement, CCRE China granted Jianye Property Management a right to use its "建業" (*Jian Ye*) trade name on a royalty-free basis and agreed to provide priority to Jianye Property Management when selecting a property management company through a tender process to provide property management services to our projects, and Jianye Property Management agreed to set up a department responsible for business with CCRE China and provide quality staff to deliver quality service to our projects. Such property management contracts require us to pay a service fee on an annual basis.

Under current PRC law, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the interest in the total non-communal area of the building. As of the date of this offering memorandum, Jianye Property Management had never been dismissed by the owners of any of the projects developed by us.

Quality Control

Different departments are responsible for ensuring the quality of our properties and our services. Our product design department is responsible for monitoring the quality of the architectural design and interior design of our property developments. In accordance with PRC regulations, we engage qualified supervisory companies selected through a tender process, which work closely with our construction management department to monitor the quality, progress and costs of the construction work of our property developments. Our customer service center is responsible for dealing with complaints which we may receive from customers. Where relevant, customer feedback is provided to our product design department so that we can refine the designs of our future properties to meet our customers' tastes and requirements.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with relevant regulations. In the event of any construction defects in our properties, we require the contractors to remedy the issues before settling the remaining balance under the construction contracts.

Awards and Certificates

Since 2007, the China Real Estate Top 10 Research Team (中國房地產 Top 10 研究組)(the "Research Team") has ranked us as the overall leading residential property developer in Henan. We were evaluated based on a composite of indices including scale, profitability, financial stability, social responsibility, growth potential and operating efficiency. The Research Team was jointly established in 2003 by the Enterprise Research Institute of the Development Research Center of the State Council (國務院發展研究中心企業研究所), the Real Estate Research Institute of Tsinghua University (清華大學房地產研究所) and the China Index Academy (中國指數研究院). The Research Team's research is generally regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions.

Set forth below is a summary of our additional key awards and certificates since 2004:

Date of grant	Awards/Certificates	Awarding organization
March 2019	2019 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2018.	2018 Fortune China 500 List	Fortune Magazine
May 2018.	26th ranking in China Real Estate Listed Company among the "2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths" and 4th ranking in property companies in China in terms of operations performance	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2018	2018 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
September 2017 . . .	2017 Top 50 China Real Estate Developers Brand Value	China Real Estate Association, China Real Estate Appraisal
May 2017.	26th ranking in China Real Estate Listed Company	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2017	2017 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
September 2016 . . .	Twenty-eighty ranking among China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2016.	398th ranking among 2016 China's Top 500 Enterprises	Fortune Magazine (Chinese version)
May 2016.	Twenty-sixth ranking among China Real Estate Listed Companies	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal

Date of grant	Awards/Certificates	Awarding organization
March 2016	Twenty-eighth ranking among the 2016 China Top 500 Real Estate Developers and first ranking among China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
November 2015. . . .	Seventeenth ranking among Top 100 Henan Private Enterprises	Henan Province Federation of Industry and Commerce
September 2015 . . .	Twenty-ninth ranking among China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2015.	471st ranking among 2015 China's Top 500 Enterprises	Fortune Magazine (Chinese version)
March 2015	Twenty-sixth ranking among the 2015 China Top 500 Real Estate Developers and first ranking among China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
November 2014. . . .	Fifteenth ranking among Top 100 Henan Private Enterprises	Henan Province Federation of Industry and Commerce
September 2014 . . .	Twenty-ninth ranking among China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2014	Twenty-sixth ranking among the 2014 China Top 500 Real Estate Developers and first ranking among China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
May 2013.	Twenty-first ranking among China Real Estate Listed Companies	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2013	China Top 50 Real Estate Developers and China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
January 2013	Outstanding Comprehensive Real Estate Developer in Zhengzhou	Zhengzhou City Housing Safeguard and Real Estate Administration and Zhengzhou Housing and Real Estate Association

Date of grant	Awards/Certificates	Awarding organization
January 2013	Famous Trademark of Henan Province	Administration for Industry and Commerce of Henan Province
December 2012. . . .	Thirty-sixth ranking among the 2012 China Top 50 Responsible Property Developers	Ministry of Housing and Urban Policy Research Center
October 2012	First ranking among the China Top 10 Central and Western China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2012	Twenty-eighth ranking among the 2012 China Top 500 Real Estate Developers	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
February 2012.	Fortune 100 in Henan	People's Government of Henan
September 2011 . . .	Top 10 Central and Western China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
February 2011.	Ten Best Real Estate Companies in Sales	Conference on Real Estate Industry in Zhengzhou
March 2010	Top 10 Real Estate Developers by Financial Stability among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2010	Thirty-fifth ranking among the 2010 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
2009	Top 10 Real Estate Developers by Financial Stability among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
September 2007, 2008, 2009	Top 10 Central and West China Real Estate Company by Brand Value	China Real Estate Top 10 Research Team
April 2009	Thirty-sixth ranking among the 2009 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
December 2008. . . .	Famous Trademark of Henan Province	Administration for Industry & Commerce of Henan Province

Date of grant	Awards/Certificates	Awarding organization
March 2008	Thirty-ninth ranking among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2008	Top 10 Developers in terms of Anti-risk ability among the 2008 China Top 100 Real Estate Developers	China Real Estate Top 10 Research Team
March 2007	Forty-first ranking among the 2007 China Top 100 Real Estate Enterprises	China Real Estate Top 10 Research Team
February 2007.	CCTV Top 10 Best Employers in Henan in 2006	CCTV and Henan Commercial Daily
2006	China's Representative Project in Zhengzhou (Landmark (Zhengzhou))	China Real Estate News and Nanfang Daily
December 2006. . . .	Excellent Credit Customer in Henan	Henan Bank Association
October 2006	Henan Construction Project "Zhongzhou Cup" – Henan High Quality Construction Work awards granted to towers six and seven of our Home Universe (Zhengzhou) Project	Construction Department of Henan
October 2006	Henan Construction Project "Zhongzhou Cup" Silver Award – Consumer Satisfactory Construction Work granted to tower one of our Green Garden (Shangqiu) Project	Construction Department of Henan
November 2005. . . .	The Most Respected Property Brand Enterprise in China in 2005	China Leading Media for Real Estate Advertising Alliance
November 2004. . . .	Asian Habitation Model Project Award awarded to our Forest Peninsula (Zhengzhou) Project	Asian Real Estate Society, Asian Habitat Society and World Association of Chinese Architects
October 2004	The Fastest Growing Development Enterprise in China in 2004	China Real Estate Magazine, China Real Estate Presidential Management Forum
2004	The China Outstanding Floor Plan awarded to two townhouses designed in our U-Town (Zhengzhou) Project	National Housing Industry Association and China Real Estate Newspaper Group

Properties Used By Us

As of December 31, 2018, we owned office spaces at Jianye Office Building which we use as our headquarters in Zhengzhou City, with a total GFA of approximately 16,033 sq.m. In addition, we occupied office spaces with a total GFA of over 50,000 sq.m., which we temporarily use as sales centers, in the cities in which we operate. We also lease two office spaces in Hong Kong and Zhengzhou with GFA of approximately 537 sq.m. and 9,889 sq.m. respectively, which we primarily use for administration purposes.

Competition

In recent years, an increasing number of property developers have begun undertaking property development and investment projects in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more cities in Henan. We endeavor to further strengthen our leading position in Henan, while we may also make selective entries into other provinces in China. The real estate market in Henan is rapidly evolving, highly fragmented and competitive. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in particular cities or markets in which we operate.

For more information on competition, please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our Business is subject to increasing competition" in this offering memorandum.

Intellectual Property Rights

We are the registrant of 181 registered trademarks in the PRC, Singapore and Hong Kong including our " " and " " trademarks under various categories including construction, real estate leasing, real estate management, real estate agency and advertising as of December 31, 2018. We are also the registered owner of the domain names "jianye.com.cn" and "centralchina.com."

We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Jianye Property Management, in relation to their use of the "建業" *(Jian Ye)* name and certain of our trademarks on a royalty-free basis. The terms of the licensing agreements contain terms similar to one another and are limited in scope. They contain various protections of our trademarks and trade names, including licensee guarantees of the quality of the goods or services attached to the trademarks and trade names, as well as a prohibition on altering the trademarks and trade names.

Certain of our project names contain "Square," "Luxurious House," "SOHO" and "Peninsula." Please note the following:

- "Square" and "Luxurious House" are not distinctive and cannot be registered as a trademark in the PRC; and

- "SOHO" and "Peninsula" are registered by other companies as trademarks in the PRC. However, they have not been used by us as trademarks but only as part of our project names. Therefore, we believe our project names comply with PRC laws and regulations and it is not likely that we will be considered to be infringing upon the intellectual property rights of other companies.

Insurance

We maintain asset insurance policies for our properties and assets. Based on PRC industry practice, we do not insure against potential losses or damage with respect to our properties developed for sale before their delivery to customers. We also do not maintain insurance coverage against liability from tortious

acts or other personal injuries on our project sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

To help ensure construction quality and safety, we provide a set of standards and specifications in construction contracts for the construction workers to comply with. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents or deaths are caused by the construction companies. The owner of the property under construction may also bear supplementary liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of the owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

Nonetheless, there are risks that we do not have sufficient insurance coverage for some damage and liabilities that may arise from our business operations. Please refer to the section headed "Risk Factors – Risks Relating to our Business – We may suffer losses arising from uninsured risks" in this offering memorandum.

Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments from time to time. These 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, each property development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an "environmental impact assessment document") have to be submitted by a property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the project company should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of certain of our projects. For our other projects where we have not obtained such approvals, we understood that we were not required to submit environmental impact assessment reports after consultation with the local environmental authorities prior to the commencement of construction of these projects. The construction of these projects is not in full compliance with environmental regulations and may be suspended by the environmental authorities. If remedial procedures are not carried out within a limited period, the project companies may be subject to a fine of up to 1%-5% of the total investment amount of the project and the officers of the property developer and the construction company appointed to carry out the project may be subject to an administrative penalty. There have been instances that we were imposed administrative penalties for commencing construction of certain property projects before obtaining environmental approvals. Since such environmental laws and regulations have not been strictly implemented in Henan, approvals for project proposals by planning authorities and other follow-up governmental approvals or permits could also be obtained without the approval of the environmental impact assessment documents. Save as disclosed above, there

has been no material violation of relevant environmental rules and regulations by us, no material environmental pollution incidents involving us, no material administrative penalty imposed on us as a result of violation of environmental rules and regulations.

Each of our controlling shareholders has agreed to indemnify and keep us indemnified against all liabilities, damages, costs, losses, or expenses which may be imposed or levied by PRC government authorities as a result of our noncompliance with environmental regulations. As of the date of this offering memorandum, save as disclosed above, none of the PRC subsidiaries have breached any applicable PRC environmental laws or regulations in any material respect, and there are no existing material legal proceedings, claims or disputes relating to environmental matters pending or threatened against us.

We will strictly comply with PRC environmental laws and regulations, and further strengthen our management and supervision systems in respect of environmental protection. We will continue to strengthen our control of the construction process. A supervisory system was formulated by a team of officers experienced in pre-construction property development and environmental matters to manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution, in order to ensure environmental compliance.

Health and Safety Matters

In respect of social responsibility, in particular, labor health, safety, insurance, accidents, relevant laws and regulations mainly include the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law, Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulation on Work-Related Injury Insurance (工傷保險條例), Safety Production Law of the People's Republic of China (中華人民共和國安全生產法), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例) and Regulations on the Management of Housing Provident Fund in Henan (河南省住房公積金管理條例). The aforementioned laws and regulations set forth relevant provisions on working hours, work safety, rest and vacation, wages, health and safety, social insurance and welfare for employees. We have purchased insurance for our employees according to PRC laws and regulations and we are planning to increase insurance coverage for our employees to include commercial accident insurance. We believe that as of the date of this offering memorandum, there has been no material violation of currently applicable PRC labor and safety regulations nor have there been any material employee safety issues involving us. Our human resources department is responsible for dealing with employees' safety and security matters.

Employees

As of December 31, 2018, we had 3,371 full-time employees. The remuneration package of our employees includes salary, share-based payment and welfare. In general, we determine employee salaries based on each employee's qualifications, position and seniority. Employees are engaged according to employment contracts. We conduct annual appraisals for our employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted an annual bonus according to certain performance conditions and appraisal results. Commission is paid only to sales staff. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance as well as a housing reserve fund. We benchmark employee remuneration packages against our peers and therefore we believe the salaries and benefits that our employees receive are competitive in comparison with market rates. We review our staff remuneration annually.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

Staff Training and Development

In executing its corporate strategies and expansion plan, our top priority is to build a team of performers who demonstrate good work ethics and professionalism, and a strong management team of excellent execution and project management capabilities. In keeping with this goal, we established the "Central China School" to bring project operations and management to a higher level and to continually improve staff training and education.

Legal Proceedings

From time to time we are involved in legal disputes arising in the ordinary course of business, primarily including but not limited to disputes with suppliers. We were not, as of the date of this offering memorandum, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition. 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 in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities as a result."

OUR RELATIONSHIP WITH CAPITALAND

CapitaLand, one of the largest real estate companies in Asia, became our strategic partner in December 2006. As of the date of this offering memorandum, CapitaLand owned approximately 24.10% of our issued share capital and is currently our second largest shareholder. We expect to continue to benefit from CapitaLand's extensive knowledge and expertise in the real estate industry.

CapitaLand first invested approximately HK$597.2 million (equivalent to RMB601.1 million at that time) in our Group in December 2006 in exchange for 29.75% ownership of our Group and made a further investment of approximately HK$517.8 million (equivalent to RMB500.0 million at that time) in August 2007 to increase its ownership stake to 36.14%. From 2008 to 2009, we sold the Landmark mall, with a total GFA of over 50,000 sq.m. to CapitaLand for consideration of approximately RMB390.2 million. Upon the completion of our initial public offering in June 2008, CapitaLand's shareholding in our Company was approximately 27.0%. As of the date of this offering memorandum, CapitaLand's interest in our Group has changed to approximately 24.10% comprising a total of 658,116,228 shares of HK$0.1 each.

CapitaLand regards our Group as a platform to penetrate the residential property market in Henan. We benefit from the extensive industry knowledge and expertise of CapitaLand. It has guided us in developing good practices in risk and internal controls and helped us to keep abreast of trends in the international property markets. Two appointees from CapitaLand sit on our board of directors as non-executive directors and one of them is also a member of our audit committee. CapitaLand is also represented on our strategic and investment committee, and their consent is required for each new land purchase, helping to ensure prudent land acquisition. CapitaLand also performs regular internal control audits, contributing to significant enhancement of our corporate governance. Furthermore, we have the option to participate in residential property development opportunities identified by CapitaLand China and CapitaLand Cayman in Henan and five neighboring provinces.

On May 16, 2008, CapitaLand China and CapitaLand Cayman entered into a deed of non-competition undertaking (the "Non-Compete") in favor of us with respect to CapitaLand's activities in China. Pursuant to the Non-Compete, each of CapitaLand China and CapitaLand Cayman has agreed that during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors and the 12-month period thereafter, it will not engage in residential property development in Henan, Hubei, Hunan, Shanxi, Anhui or Shaanxi provinces. In the event CapitaLand China identifies or is offered any opportunity to participate in any project in any of the aforementioned provinces falling within the scope of our residential business during the period for which it is legally or beneficially interested in not less than 5% of our shares or has any representation on our board of directors, the Non-Compete grants us an option to negotiate and participate in such project. Each of such options expires 30 days from our receiving information about a given opportunity from CapitaLand China.

Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法)(the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007 and August 2009, a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例)(the "Development Regulations") promulgated by the State Council on July 20, 1998 and amended in January 2011 and March 2018 respectively, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

Pursuant to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例)(the "Henan Development Rules") promulgated on June 4, 2002 and amended on January 14, 2005 and on July 30, 2010 by the Standing Committee of the People's Congress of Henan, property developers established in Henan should satisfy the following requirements: (i) the registered capital should be RMB2 million or more; (ii) it should have five or more full-time professional property/construction technicians, of whom three or more should have intermediate professional titles or above; and (iii) it should have two or more full time accounting officers, each of whom should hold the relevant professional qualification certificates. Any property developer who does not conform to the requirements set forth by the Henan Development Rules and was established before the implementation of the Henan Development Rules, is required to meet the aforesaid requirements within one year or will be deregistered by the Administration for Industry and Commerce.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%. In September 2015, the State Council issued a Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

Foreign-invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄) jointly promulgated on December 24, 2011 by MOFCOM and NDRC and effective from January 30, 2012, foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, and foreign investment in construction and operation of golf course and villas is prohibited, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted. Meanwhile, foreign investment in the development of a whole land lot is required to take the form of joint development with the PRC partners.

On March 10, 2015, MOFCOM and NDRC jointly issued the revised Foreign Investment Industrial Guidance Catalog effective from April 10, 2015, under which foreign investment in real estate falls within the category of industry in which foreign investment is permitted. Meanwhile, foreign investment in the construction and operation of large theme parks still falls within the restricted category, and foreign investment in the construction of golf course and villas is prohibited. On June 28, 2017, MOFCOM and NDRC jointly issued the revised Foreign Investment Industrial Guidance Catalog effective from July 28, 2017, under which foreign investment in real estate falls within the category of industry in which foreign investment is permitted.

Foreign invested property enterprises can be established in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Foreign Investment Industrial Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) which was subsequently amended on July 30, 2017 by MOFCOM. On January 14, 2017, NDRC issued the Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)(關於做好貫徹落實《政府核准的投資項目目錄(2016年本)》有關外資工作的通知), according to which, 1) any project of the restricted category with a total investment (including capital increase) for US$300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for US$2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than US$300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing.

On February 28, 2018, MOFCOM and the State Administration for Market Regulation jointly issued the Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form (關於實行外商投資企業商務備案與工商登記"單一窗口、單一表格"受理有關工作的通知) under which, since June 30, 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. Subsequently on June 29, 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes at Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) which came into effect from June 30, 2018. On June 26, 2018, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version)(外商投資准入特別管理措施(負面清單)(2018年版)) effective from July 28, 2018.

On July 11, 2006, the MOHURD, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce ("SAIC", which has been reorganized as the State Administration for Market Regulation) and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the "Opinion"). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.

- Where the total investment amount of a foreign-invested property development enterprise is US$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations.

- The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a temporary certificate of approval for a foreign-invested enterprise (which is only effective for one year) and the business license. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal certificate of approval for a foreign-invested enterprise from the commerce authorities and an updated business license.

- Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly comply with relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of state-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.

- When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors

with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market(關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知)(the "Circular"). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise ("FIE") which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOHURD and the SAFE jointly issued the Opinions on Regulating the 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), providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;

- Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas; and

- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party's shares within an equity joint venture, such foreign entities and individuals must make a one-time payment for the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment(關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulates, among others, that:

- Foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;

- Before obtaining approval for the setup of a Real Estate FIE, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;

- Entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;

- Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;

- In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;

- A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and

- Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (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) issued by the General Affairs Department of SAFE on July 10, 2007, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated Real Estate FIEs and Real Estate FIEs that have registered increased capital contributions) that obtained a certificate of approval for a foreign-invested enterprise from local commerce authorities and completed the registration with MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration), or sale and settlement of foreign exchange for capital account items, for any Real Estate FIEs that has obtained a certificate of approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007. The aforesaid regulation has been abolished as of May 13, 2013.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for 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), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a Circular with respect to the Administration of Conversion into Renminbi of Foreign Exchange Capital Contributions to Foreign Invested Enterprises (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) promulgated by SAFE in August 2008, unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Effective on June 1, 2015, the aforesaid circular will be repealed by the Circular on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular No. 19, issued by SAFE in March 2015, which stipulates that the voluntary settlement of foreign exchange capital funds for foreign invested enterprises will be implemented. Accordingly, the foreign exchange capital funds in a foreign invested enterprise's capital account, which have been recognized by the local foreign exchange bureau as the interests of capital contributions or registered with the relevant bank, can be settled in banks according to such enterprise's actual business operation requirements. The provisional percentage for the voluntary settlement of foreign exchange capital funds for foreign invested enterprises is 100 percent. SAFE may adjust such percentage in due time according to the situation of the balance in international payments. Furthermore, Circular No. 19 facilitates domestic equity investments by foreign invested enterprises with funds from the settlement of foreign exchange capital. On June 9, 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of

Investment Projects Subject to Government Approvals (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US$50 million.

In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment in Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises. On June 24, 2014, 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), effective from August 1, 2014, to simplify the procedures of registration of foreign investment in real estate. On November 6, 2015, MOFCOM and SAFE jointly issued the Notice on Further Improving the Registration of Foreign Investment in Real Estate (關於進一步改進外商投資房地產備案工作的通知) effective from November 6, 2015 to cancel the registration procedures of foreign investment in real estate.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which will come into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the "Special Administrative Measures (Negative List) for Foreign Investment Access." According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

Qualifications of a Property Development Enterprise

Classifications for the qualifications of property development enterprises

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on Administration of Qualifications promulgated by the MOHURD and implemented on March 29, 2000, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both 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 shall be formulated by the construction authority under the people's 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. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days. The provisional qualification certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the provisional qualification certificate.

According to the Henan Development Rules, a property development enterprise must register with the municipal property development authority directly under the provincial government within 30 days after receiving its business license. The municipal property development authority must submit to the provincial construction authority for approval within 15 days and the provincial construction authority must issue a provisional qualification certificate to the eligible developer within 15 days. The provisional qualification certificate will be effective for two years from the date of its issuance. For property development enterprises who fail to complete their project within two years, the property development authority may extend the validity to a period of no more than one year.

In accordance with the Circular on Further Regulating the Administration of Qualification of Real Estate Developers (關於進一步規範房地產開發企業資質管理工作的通知) issued by Henan Provincial Department of Housing and Urban-Rural Development, the class 1 qualification is preliminary examined by the provincial construction authority for submission to MOHURD, the class 2 qualification is preliminary examined by the local construction authority at the level of provincial directly governing city or county or airport economy zone for submission to the provincial construction authority for approval, and the class 3 or lower qualification is approved by the local construction authority at the level of provincial directly governing city or county or airport economy zone since January 1, 2015.

The business scope of a property development enterprise

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Under the Henan Development Rules, a property development enterprise must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (a) the construction scale of a property development project undertaken by a property development enterprise with class 1 qualification is not subject to restriction; (b) a property development enterprise with class 2 qualification may undertake any property development project with a GFA of less than 250,000 sq.m.; (c) a property development enterprise with class 3 qualification may undertake any property development project with a GFA of less than 100,000 sq.m.; (d) a property development enterprise with class 4 qualification may undertake any property development project with a GFA of less than 30,000 sq.m.; and (e) a property development enterprise with a provisional qualification certificate may be engaged in a development project relative to the approved standards of the class of qualification so stated in the certificate. With respect to property projects developed in stages, the overall scope of the project must be taken into account when calculating the GFA.

The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Development of a Property Project

Land for property development

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例)(the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land use rights grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the

land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用規定) promulgated by the MLR on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a "bidder"):

- The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.

- The assignor and the winning bidder shall enter into a contract for the assignment of state-owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.

- The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the "Regulations on the Grant of State-owned Land Use Rights by Agreement"(協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxury commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於

當前進一步從嚴土地管理的緊急通知) which provides that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, PBOC and MLR on November 19, 2007, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized. On January 3, 2018, the MLR, MOF, PBOC and CBRC jointly issued the revised Measures on the Administration of Reserved Land.

In November 2009, the MOF, MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants Development (關於進一步加強土地供應收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知)(the "2010 Notice") which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on

the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (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, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than one. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

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

On January 26, 2011, the State Council issued the Notice on Further Regulating the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provides a more stringent supervision on housing land supply, among other provisions, the new regulation requires land bidding participants to provide a source of fund proof.

On May 23, 2012, the MLR and NDRC jointly issued the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition)(關於發佈實施《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), under which, the area of land to be granted for residential use should not exceed (i) seven hectares for small cities and towns; (ii) 14 hectares for medium-sized cities; and (iii) 20 hectares for large cities, and the plot ratio for residential housing projects must be more than 1.0.

On February 15, 2012, the MLR issued the Notice on Diligent Real Estate Land Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知), which provided, among others, that local governments shall put into effect a reporting system of project commencement and completion, and land users shall submit written reports to the relevant land and resources department at the time of, or prior to, project commencement and completion for supervision.

On March 25, 2015, MLR and MOHURD jointed issued the Notice on Improving Residential Properties and Land Supply Structure in 2015 to Promote the Steady and Healthy Development of the Real Estate Market (關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知), which stipulates, among other things, that for residential properties under development it is allowed to properly adjust the unit structure to satisfy the market demand of residential properties for self-use and improving living conditions subject to the relevant planning requirements unchanged. On April 1, 2017, MOHURD and MLR jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing: where such period is longer than 36 months, no more land is to be supplied; land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months; more land shall be provided in the case of a period of longer than six months but shorter than 12 months; however, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

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)(the "Demolition and Removal Rules") promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the "resettling party") should apply for a resettlement permit before commencing resettlement. The resettling party must 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. For leased housings, the resettlement and compensation agreements shall be reached among the resettling party, the relevant residents and the lessees. 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 a people's court within three months from the ruling if they contest the ruling. The resettling party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms.

On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-owned Land (國有土地上房屋徵收與補償條例)(the "Expropriation and Compensation Regulation") which has superseded the Demolition and Removal Rules. The Expropriation and Compensation Regulation provides that, among other things:

(i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;

(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 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 may apply to the real estate appraisal institution for re-appraisal, and

(iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

In addition to paying the demolition and removal compensation, the property developer undertaking the demolition and removal shall pay a removal allowance to the residents of the buildings to be demolished.

After a property developer has carried out the above work, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with construction needs and funds for the construction have been made available, the developer shall apply for a Permit for Commencement of Works from the construction authority under the local government above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD in June 2014 and as effective from October 25, 2014 and as amended on September 19, 2018.

Termination of the land use rights

In accordance with the Land Administrative Law of the People's Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the National People's Congress on June 25, 1986 and amended on August 28, 2004, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gives the approvals or the relevant competent people's governments:

- use land for the sake of public interests (subject to proper compensation);
- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);
- when the term for the land use rights expires, the land user has failed to apply for an extension or failed to get approval for an extension;
- the use of land originally allocated has been stopped due to cancellation or removal of units; and
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; and (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land（閒置土地處置辦法）promulgated by the MLR on April 28, 1999 and amended on July 1, 2012, a parcel of land can be defined as idle land under any of the following circumstances:

- any state-owned construction land, of which the holder of the land use rights fails to start the construction and development of the land within one year after the commencement date as prescribed in the contract for fee-based use of state-owned construction land or the decision on allocation of state-owned land for construction; or

- any state-owned construction land of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

Unless the delay in development of the land is caused by government actions as stipulated by the Measures on Disposing Idle Land, a parcel of land which has been deemed as idle land by competent authority of land and resources may be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Collecting Idle Land Fee to the holder of the land use rights and collect the idle land fee at the rate of 20% of the land assignment or allocation price, and such idle land fee shall not be included in the production cost by the holder of the land use rights; and

- where the land has remained idle for more than two years, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Forfeiting the Right to Use the State-owned Construction Land to the holder of the land use rights to forfeit the state-owned construction land use rights without compensation.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use（關於促進節約集約用地的通知）, which seeks to:

- examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use; project designs, construction and approval of construction shall all be subject to stringent land use standards;

- urge all localities to enforce policies for the disposal of idle land; where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made, and where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20% of the land assignment premium shall be levied on the land user;

- vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space;

- strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes; where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium;

- make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas, and strictly prohibit unauthorized conversion of agricultural land into construction land;

- strengthen supervision and inspection of intensive land use conservation; and

- discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

On September 12, 2014, the MLR 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 to reinforce the implementation of the rules regarding idle land and to specify the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOHURD on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOHURD on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008 and as amended on April 24, 2015, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction land planning permit, or where construction land planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

Construction of a property project

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOHURD on June 25, 2014 and as effective from October 25, 2014 and as amended on September19, 2018, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

Completion of a property project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000, the Interim 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 MOHURD in April 2000 and amended in October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the MOHURD on December 2, 2013, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOHURD on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

Transfer and Sale of Property

Transfer of property

According to the Urban Property Law and the "Provisions on Administration of Transfer of Urban Property"(城市房地產轉讓管理規定) promulgated by the MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; or (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required by the State Council. Upon such approval, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of commodity buildings

Pursuant to the Regulatory Measures on the Sale of Commodity Buildings（商品房銷售管理辦法）promulgated by the MOHURD on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

Permit for pre-sale of commodity buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings（城市商品房預售管理辦法）(the "Pre-sale Measures") promulgated by the MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: (a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; (b) a construction works planning permit and construction works commencement permit have been obtained; (c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

According to the Henan Development Rules, the following conditions shall be fulfilled for the pre-sale of commodity properties in Henan: (a) a property developer's qualification certificate has been obtained; (b) land premium has been paid in full and state-owned land use rights certificates have been issued; (c) construction works planning permit and permit for construction work have been obtained; (d) more than half of the construction work has been completed in line with the design of image progress and the progress of work and delivery dates have been ascertained; and (e) other conditions as may be stipulated by laws and regulations. A property developer must apply for a permit for pre-sale of commodity properties with the land and housing authority at the municipal or county level by presenting certificates proving that the aforesaid conditions have been fulfilled. The land and housing authority at the municipal or county level must keep track of the construction progress of a property project for which permits for pre-sale of commodity properties have been issued and, if there is any noncompliance with

relevant laws and regulations, will order the property developer to redress within a specified time period. Without permits for pre-sale of commodity properties, pre-sale of commodity properties is prohibited and any fees in relation to pre-sales are prohibited to be collected from buyers.

In addition, according to the Regulation on Urban Real Estate Transactions in Henan (河南省城市房地產交易管理辦法) promulgated by the Henan provincial government on November 23, 2001 and effective May 1, 2002 as amended on January 5, 2011, a commodity property purchase agreement shall be negotiated and agreed upon between a buyer and a seller in relation to a commodity property for pre-sale. The property developer shall apply for registration and record with the local land and housing registration department within 30 days from the execution of the commodity property purchase agreement. Only after obtaining permits for pre-sale of commodity properties can a property developer release advertisements on pre-sales of commodity properties. The advertisements must specify the serial numbers of the permits for pre-sale of commodity properties and the name of the authorities issuing the permits for pre-sale of commodity properties. The advertisements must be true and accurate. Any information which may be deceptive, misleading or does not conform to the property projects for pre-sale is prohibited in advertisements.

Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

Conditions of the sale of post-completion commodity buildings

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; and (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and

- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the MOHURD, the NDRC and SAIC jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- a property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit, and without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments;

- the property administration authority should establish a network system for pre-sale contracts of commodity buildings, which should include the location and basic information of the commodity building and the schedule for the sale, and the buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction;

- the pre-sale of commodity buildings must not be advertised without a pre-sale permit;

- property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities; and

- property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases.

On April 13, 2010, the MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Properties (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, pre-

sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On March 16, 2011, NDRC promulgated the Rules on Price Tag regarding the Sale of Commodity Property (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to this regulation, property developers are required to make public the sale price of each apartment of the commodity properties for sale or pre-sale and the number of apartments available for sale or pre-sale within a certain time period. Property developers are also required to specify factors that would affect housing prices and relative charges before the property sale, such as commission fee and property management fee. No additional charge beyond what is specified in the price tag or made public by the property developers is permitted.

Mortgages of property

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押管理辦法) promulgated by the MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

Leases of buildings

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or properties constructed on the land. Leasing of properties situated in urban areas is governed by the Administration Measures for Urban Buildings Leasing, or the Urban Buildings Leasing Measures. The Urban Buildings Leasing Measures were promulgated by the Ministry of Construction in May 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Urban Buildings Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant laws. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statutes. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants.

The MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法)(the "Leasing Measures") on December 1, 2010, and according to the Leasing Measures, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent 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 real estate authorities are authorized to impose a fine below RMB1,000 on individuals, and a fine from RMB1,000 to RMB10,000 on other violators who are not natural persons and fail to comply with the regulations within the specified time limit. The Leasing Measures came into effect as of February 1, 2011 in replacement of the Administration Measures for Urban Buildings Leasing.

According to the Real Property Law, rental income derived from the lease of buildings and the underlying land use rights from a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

On June 3, 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing business. The opinions support real estate developers to explore business scope, utilize built residential properties or newly built residential properties to carry out leasing business, encourage real estate developers to put the residential properties for rent, and guide real estate developers to cooperate with residential property leasing enterprises and develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People's Government promulgated the Measures for the Administration on Houses with Joint Property Rights (上海市共有產權保障住房管理辦法), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the Interim Measures for the Administration of Houses with Joint Property Rights (共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

Financing property development and acquisition

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

- Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks shall not grant loans to property development enterprises to pay off land premiums.

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%.

- for property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit.

- the commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知)(the "2007 Notice"). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption, and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner's equity) constitute less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the "topping out of the main structure" stage. Where an individual purchases his or her first commodity apartment for personal residential purposes: (a) if a construction area is below 90 sq.m., the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 sq.m., the minimum down payment shall be fixed at no less than 30%. Where an individual has purchased a

commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum down payment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum down payment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum down payment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is in connection with a commercial and residential building, the minimum down payment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知)(the "Supplemental Notice"), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- assess the number(s) of housing loan with the borrower's family as the basic calculation unit;
- stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans; and
- where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (a) "falsify mortgages" by using forged property sale contracts; (b) process "falsified down payments" from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (c) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- strictly follow the policies and conditions related to the provision of loans to individuals;
- improve the monitoring of the qualifications of borrowers;
- rigorously examine the enterprise credit ratings of property development enterprises; and
- upon discovering that a property development enterprise has engaged in the "falsification of mortgages," "falsification of down payments," "forgery of house prices" or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the PBOC issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行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 decreased the minimum down payment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

- The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.

- The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (關於進一步加強按揭貸款風險管理的通知). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as "falsified mortgages," "falsified down payments," "forged house prices" and the relaxed enforcement of criterion for "loans for a second house," the Notice reiterates the following requirements:

- banking institutions shall strictly carry out pre-lending credit check and tighten the criterion for granting a loan in order to prevent the occurrence of such behavior as "falsified mortgages," "falsified down payments," and "forged house prices;"

- banking institutions shall proceed to focus on supporting the purchase by individuals of their first commodity house for self-residence purposes and shall not circumvent relevant restrictions with regard to the provision of loans for a second (or more) house by claiming that a national network for credit information collection is not available or that cross-regional investigations into the purchaser's background is difficult or onerous; and

- banking institutions are not entitled to decide the criterion for identifying "loans for a second house" or to lower the minimum down payment indirectly by any means.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m.. Further, the notice also stipulates that interest rates for mortgage loans for

second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature use of land, postponing the construction commencement or completion date, hoarding or other noncompliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

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

On January 26, 2011, the State Council issued the Circular on Issues concerning Further Works of Regulation and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Circular, more than 40 cities, including Zhengzhou, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PBOC and CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to buy a property for its own residence, the minimum down payment will be 30% of the property price and the floor 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 buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and 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 March 30, 2015, PBOC, CBRC and MOHURD jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

Insurance of a property project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. 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. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

Environmental protection

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998 and as amended on July 16, 2017, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the

supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

Construction safety

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002 and as amended in August 2009 and August 2014 respectively, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

Major Taxes Applicable to Property Developers

Corporate income tax

According to the CIT Law promulgated by National People's Congress on March 16, 2007, which came into effect on January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises, as well as foreign investment enterprises. Pursuant to the CIT Law, dividends and interests payable to a foreign investor are subject to a 20% withholding tax unless the jurisdiction of incorporation for the foreign investor has a tax treaty with China that provides for a different withholding arrangement.

According to the Implementation Rules of the PRC on the CIT Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% is applicable to any interest or dividends payable to non-PRC enterprise investors from foreign invested enterprises. The CIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transiting to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (關於實施企業所得稅過渡優惠政策的通知), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25%, respectively in 2008, 2009, 2010, 2011 and 2012.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), or the Avoidance of Double Taxation Agreement, dividend payments to shareholders in Hong Kong would be withheld at a rate of 5% if their investment ratio in invested entities in China is above 25%, or 10% if their investment ratio in invested entities in China is below 25%.

On December 10, 2009, the SAT issued the Circular on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Share Transfer (關於加強非居民企業股權轉讓所得企業所得税管理的通知) or Circular 698, effective as of January 1, 2008, under which, where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise by transferring the shares of the offshore holding company that is located in a country (jurisdiction) where the effective tax burden is less than 12.5%, or where the offshore income of the residents is not taxable, the foreign investor shall provide the relevant tax authority in charge with reports containing relevant information within 30 days of the transfers, and where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise through the abuse of form of organization and there are no reasonable commercial purposes such that the corporate income tax liability is avoided, the tax authority shall have the power to re-assess the nature of the equity transfer in accordance with the "substance-over-form" principle and deny the existence of the offshore holding company that is used for tax planning purposes. "Income derived from equity transfers," as mentioned in this circular refers to income derived by non-resident enterprises from direct or indirect transfers of equity interest in China resident enterprises, excluding shares in Chinese resident enterprises that are bought and sold openly on the stock exchange. In 2015, the SAT issued a circular, known as Circular 7, which replaced or supplemented certain previous rules under Circular 698. Circular 7 sets out a wider scope of indirect transfer of PRC assets that might be subject to PRC enterprise income tax, and more detailed guidelines on the circumstances when such indirect transfer is considered to lack a bona fide commercial purpose and thus regarded as avoiding PRC tax. The conditional reporting obligation of the non-PRC investor under Circular 698 is replaced by a voluntary reporting by the transferor, the transferee or the underlying PRC resident enterprise being transferred. Furthermore, if the indirect transfer is subject to PRC enterprise income tax, the transferee has an obligation to withhold tax from the sale proceeds, unless the transferor reports the transaction to the PRC tax authority under Circular 7. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange are not subject to the PRC enterprise income tax pursuant to Circular 7 where such shares were acquired in a transaction through a public stock exchange.

Business tax and value added tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業税暫行條例) promulgated by the State Council on December 13, 1993, amended on November 10, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業税暫行條例實施細則) issued by the MOF on December 25, 1993 and amended on December 15, 2008 and implemented on January 1, 2009 and further amended on October 28, 2011 and implemented on November 1, 2011, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

Pursuant to the Notice on Adjustment of Transforming Business Tax to Appreciation Tax (關於全面推開營業税改徵增值税試點的通知) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the sale of self-developed previous real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self-development" means infrastructure facilities and buildings erected on the land with land use rights which are developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of real estate self-development in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) × 3%

The applicable rate is 11%. Nevertheless, for taxpayers conducting previous real estate projects and have chosen simplified tax method, the simplified rate of 5% will be applied in calculating the Prepaid VAT. Once simplified tax method is chosen, it will be applicable for 36 months.

Previous real estate projects refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects which commencement dates of construction are not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 but has yet to receive Construction Permits.

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax.

According to a notice jointly issued by MOF, SAT and the General Administration of Customs in March 2019, from April 1, 2019, the value-added tax rate of 16 percent will be lowered to 13 percent and the value-added tax rate of 10 percent will be lowered to 9 percent.

Land appreciation tax

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例)(the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則)(the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

- related tax payable for the transfer of property; and
- other deductible items as specified by the MOF.

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 January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值税的通知) issued by the MOF and the SAT on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

- the construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties, and deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;
- property is repossessed according to laws due to the construction requirements of the State;
- due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;
- transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred; and
- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On December 24, 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值税優惠政策延期的通知) which extended the period for the land appreciation tax exemption policy mentioned above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOHURD and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值税徵收管理工作的通知) on July 10, 2002 to request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties

that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by SAT. These two notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.

- Standards for the collection and settlement of land appreciation tax:

  (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

  (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.

  (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

  (iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家税務總局關於房地產開發企業土地增值税清算管理有關問題的通知)(the "2007 LAT Notice") which came into effect on February 1, 2007.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The 2007 LAT Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On January 30, 2007, the Henan Local Taxation Bureau promulgated the Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於轉發國家税務總局關於房地產企業土地增值税清算管理有關問題的通知), which provides that:

- for taxpayers transferring land use rights or mainly transferring land use rights (sales prices for buildings accounting for less than 30%), the LAT will be settled by means of audit collection in principal;

- as to deductible items: (i) for a multi-complex building comprising ordinary standard residential housing as well as other houses (luxury houses, commercial complexes, commercial houses and office buildings), the appreciation amount and deductible items will be verified, respectively, according to applicable laws. If the separation of the residential and commercial parts of the multi-complex building is unclear and/or undefined, the residential part of a multi-complex building would not be eligible for the exemption available for ordinary standard residential housing; (ii) where the vouchers or materials relating to (a) the project expenditures at the early stages of the project, (b) construction and fitting expenditures, (c) infrastructure expenditures, and (d) indirect expenditures are non-compliant with the requirements for LAT settlement or untrue, the LAT will be levied by means of verification collection;

- the LAT rate for verification collection: 1.5% for ordinary standard residential housing; 5% for land use rights; 3.5% for other property projects (other than ordinary standard residential housing and land use rights). Transaction incomes of transferring ordinary standard residential housing, luxury houses, commercial complexes, commercial houses and office buildings shall be verified, respectively. If the aforesaid separation calculation would be unfeasible the highest rate shall apply;

- for a property developer who has adopted verification collection means, the verification rate shall be adjusted in accordance with the circular from February 1, 2007, and with respect to the land use rights transaction, the LAT shall be levied by means of audit collection. For a property developer who has adopted audit collection means, the LAT shall be settled according to the circular. From February 1, 2007, the LAT shall be settled or verified on project basis either by means of verification collection or audit collection for property developers; and

- from the implementation of the circular, the adjustment of the LAT collection methods shall be approved by the municipal tax authority directly under the provincial government.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值税清算管理規程)(the "Settlement Rules"), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節税收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the SAT issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (關於土地增值税清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax (關於加強土地增值税征管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (中華人民共和國契税暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997 and as amended in March 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Henan (河南省契税實施辦法) promulgated by the People's Government of Henan on October 21, 1999, the rate of deed tax within Henan is 4%.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions (關於調整房地產交易環節契税、營業税優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

(1) for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and

(2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用税暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 31, 2006, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

Real estate tax

Under the Interim Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房地產税暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, real estate tax shall be levied at 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 payments for lease of the building.

According to the Circular Concerning the Levy of Real Estate Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產税有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Real Estate Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產税徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Real Estate Tax.

Stamp duty

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

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節税收政策的通知) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設税暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, VAT or business tax shall be required to

pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises 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 SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment until further notice is issued by the State Council.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the MOF and the SAT in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any VAT, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, VAT or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises 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 SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

Pursuant to the aforesaid Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any VAT, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any VAT, consumption tax and business tax incurrent before December 1, 2010.

Measures on Stabilizing Housing Prices

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

(a) Intensifying planning and control and improving the housing supply structure

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

(b) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

(a) Adjustment to the housing supply structure

- The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.

- From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

(b) Adjustment to tax, credit and land policies

- Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;

- In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;

- From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20%;

- At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited;

- When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

(c) Further rectifying and regulating the property market

- Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.

- The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 sq.m. should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.

- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for 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), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the 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, stabilize 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 reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the MOF, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding 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), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知), as the general rule, municipalities, provincial capitals

and cities with high housing prices shall make purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including the new commodity residential house or a second hand one); and (b) 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 cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On January 27, 2011, the MOF and the SAT jointly issued a new Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業税政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011.

On February 26, 2013, with a view to uphold the regulation of the real estate market in 2013 and promote a stable and healthy development of the real estate market, the General Office of the State Council issued a Notice on the Continuous Effective Regulation 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). The notice provides that the following measures shall be taken:

- Prices in the real estate market shall be stabilized;

- Purchases of residential properties for investment purchases shall be restricted and the policies of the differentiated housing credit extension shall continue to be strictly enforced. Tax authorities shall closely cooperate with departments of housing and urban-rural development to levy individual income tax, which is payable on the sales of owner-occupied houses at 20% of the transfer income if the original value of the house sold can be verified through historical information such as tax collection and administration, house registration;

- The supply of ordinary commercial housing and land for housing construction shall be increased;

- The planning and construction of affordable housing projects shall be accelerated; and

- Market regulation and expectation management shall be strengthened. From 2013 onward, all regions shall (a) raise the pre-sale threshold for commercial housing; (b) reinforce the management of commercial housing pre-sale licensing regarding project investment, project image and progress, more accurately determining the delivery deadline to guide real estate developers to rationally determine house prices; and (c) steadily push forward reform of the commercial housing pre-sale system.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例) effective from March 1, 2015, which provides for the following, among others:

(i) The Competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.

(ii) The real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.(iii)

The competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic 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 basic platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county level.

Any right holder or interested party may apply for inquiring about or copying the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose and no such information may be disclosed to the public or others without the consent of the right holder.

Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. For instance, most of the local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. PBOC and CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to buy a property for its own residence, the minimum down payment will be 30% of the property price and the floor 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 buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and 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 March 30, 2015, PBOC, CBRC and MOHURD jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On March 30, 2015, SAT and MOF jointly issued the Notice to Adjust the Business Tax Policies on Residential Properties Transfer by Individuals (關於調整個人住房轉讓營業税政策的通知), effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost.

On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On February 17, 2016, MOF, SAT and MOHURD jointly issued the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions

(關於調整房地產交易環節契稅、營業稅優惠政策的通知) effective from February 22, 2016. On October 1, the Municipal Government of Zhengzhou issued the Notice to Implement Restriction Measures on the Purchase of Residential Properties in Certain Districts of Zhengzhou (關於在鄭州市部分區域實施住房限購的通知) effective from October 2, 2016, under which, within certain districts in Zhengzhou, local residents who own two or more residential properties or non-local residents who own one or more residential properties, are prohibited from buying residential properties not more than 180 sq.m. On October 2, 2016, Zhengzhou Municipal Housing Security and Real Estate Administration Bureau issued the implementing rules of the purchase restriction measures according to which, within certain districts in Zhengzhou, local residents who own one residential property or non-local residents who do not own any residential property, are allowed buying one residential property not more than 180 sq.m, while local residents who own two or more residential properties or non-local residents who own one or more residential property, are prohibited from buying residential properties. On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations. On February 13, 2017, the Asset Management Association of China issued the No.4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which stops the filing of private equity and asset management plans of securities and futures institutions which investing into the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc.. It also prevents private equity and asset management plans from funding real estate development enterprises to pay land premium or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

Outbound Investment Administration of NDRC

On December 26, 2017, NDRC issued the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), or the Measures, effective from March 1, 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of US$300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis.

NDRC REGISTRATION FOR FOREIGN DEBTS

On September 14, 2015, the NDRC issued the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (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), or the NDRC Circular, which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On May 11, 2018, the NDRC and the MOF jointly issued the Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) which reiterated the regulatory administration of foreign debt. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises.

Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this offering memorandum.

Name	Age	Position/Title
Wu Po Sum	68	Chairman and Executive Director
Liu Weixing	59	Executive Director
Wang Jun	38	Executive Director
Lucas Ignatius Loh Jen Yuh	52	Non-executive Director and Vice-chairman
Puah Tze Shyang	46	Non-executive Director
Wu Wallis (alias Li Hua)	37	Non-executive Director
Cheung Shek Lun	58	Independent Non-executive Director
Xin Luo Lin	69	Independent Non-executive Director
Sun Yuyang	62	Independent Non-executive Director
Yuan Xujun	51	Chief Executive Officer
Hu Ping	37	Chief Financial Officer
Vinh Mai	44	Head of Investor Relations and Chief Investment Officer

Directors

Executive Directors

Wu Po Sum (胡葆森) (formerly known as Hua Jianming 滑建明), age 68, is the founder, the chairman of the Board and an executive Director of our Company, and he is also a director of a number of subsidiaries of our Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of our Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on March 27, 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director of our Company. Mr. Wu has over 27 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited ("CCIET"). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for our Group and established the "建業" (*Jian Ye*) brand name. Mr. Wu devotes himself not only to the development of our business, but also to public services and promoting the PRC real estate industry. Mr. Wu is currently a director of CURA Investment Management (Shanghai) Co., Ltd, a company listed on National Equities Exchange and Quotations Co., Ltd. (also known as the "PRC New Third Board").

Liu Weixing (劉衛星), aged 59, was appointed as an executive Director with effect from 24 March 2017. Mr. Liu joined the Company in August 2016 as vice president of the Company and the chairman of Central China Real Estate Group (China) Company Limited, a wholly owned subsidiary of the Company. Mr. Liu has over 36 years of experience in banking and finance. He obtained a certificate of graduation in banking management from Henan Banking College*(河南銀行學校)in 1979, a certificate of graduation in financial management from Zhengzhou University in 1983, a master degree in economics from Henan University in 1998 and a certificate of graduation in law from Tsinghua University in 2005. Mr. Liu held positions of officer and vice division chief responsible for industrial and commercial credit facilities Luoyang Region Center Branch of People's Bank of China from 1979 to 1984. Mr. Liu held several positions in Industrial and Commercial Bank of China from 1985 to August 2016, including vice president of Luoyang Region Center Branch, vice president of Sanmenxia City

Branch, officer of Henan Province Branch, assistant to president of Henan Province Branch, vice president of Henan Province Branch, president of Anhui Province Branch, president of Chongqing City Branch, president of Henan Province Branch and head of Internal Audit Department of Main Branch.

Wang Jun (王俊), aged 38, has over 15 years of experience in the real estate industry and capital market. He obtained his bachelor's degree in English from Guangdong University of Foreign Studies in 2002 and his master's degree in Business Administration from Hong Kong University of Science and Technology in 2011. From 2003 to 2007, Mr. Wang served in PricewaterhouseCoopers Zhong Tian CPAs Limited Company with the latest position as a senior associate; from 2007 to 2011, he served as the head of investor relations and a senior manager of the finance department in Country Garden Holdings Company Limited; and from 2011 to June 2018, he served in Morgan Stanley Asia Limited with the latest position as an executive director. He joined the Company as an executive Director in August 2018.

Non-executive Directors

Lucas Ignatius Loh Jen Yuh (羅臻毓), aged 52, is a non-executive Director and the vice-chairman of the Board. He is also a director of a number of subsidiaries of our Company. Mr. Loh is the President (China & Investment Management) of CapitaLand Group, reporting to President & Group Chief Executive Officer, Mr. Lee Chee Koon. He oversees the business and growth of China as a core geographical market for the Group, as well as the expansion of the Group's investment management business and commercial portfolio. Mr. Loh is concurrently the Chief Executive Officer of CapitaLand China, a position he held since 2014. As the Chief Executive Officer of CapitaLand China, Mr. Loh led the team to double China's return contribution to the Group, as well as achieve record residential sales and recognise the highest revenue from properties delivered in 2016. He also successfully completed and opened three Raffles City integrated developments spanning across more than 680,000 sq.m. in GFA in 2017. Prior to his appointment as Chief Executive Officer of CapitaLand China, he was the Deputy Chief Executive Officer cum Chief Investment Officer as well as Regional General Manager for South China, CapitaLand China. During then, Mr. Loh was instrumental in growing its integrated developments and residential businesses in South China. He was also responsible for the company's real estate financial business, including the Raffles City China Fund and establishment of the US$1.5 billion Raffles City China Investment Partners III. Mr. Loh joined CapitaLand in September 2001 and has been based in China since August 2004. He also held several appointments within the Group, including Managing Director for China of The Ascott Limited. Mr. Loh also has extensive experience in the real estate sector where he started his career in 1991. Prior to joining CapitaLand, Mr. Loh was the Associate Director for Private Equity Investment at Temasek Holdings. Mr. Loh obtained a Bachelor of Science in Estate Management from the National University of Singapore. He also holds a Master of Business Administration from Oklahoma City University and attended the Advanced Management Program at Harvard Business School in 2013.

Puah Tze Shyang (潘子翔), aged 46, is a non-executive Director. He is also a director of a number of subsidiaries of the Company. Mr. Puah is the Chief Investment Officer of CapitaLand China Holdings Pte Ltd ("CapitaLand China"). CapitaLand China is a wholly owned subsidiary of CapitaLand Limited ("CapitaLand", together with its subsidiaries, "CapitaLand Group", one of Asia's largest listed real estate companies, headquartered and listed in Singapore). CapitaLand China is a long-term real estate developer of high quality homes, commercial properties and integrated developments in China. CapitaLand China is the holding company of CapitaLand LF (Cayman) Holdings Co., Ltd., a substantial shareholder of the Company. As CapitaLand China's Chief Investment Officer, Mr. Puah is responsible for CapitaLand China's real estate investments, asset management and investment platforms. The investment platforms include the Raffles City China Fund, CapitaLand China Development Funds, CapitaLand Township Funds and Raffles City China Investment Partners III, with combined capital commitments of US$3.7 billion. Mr. Puah is an alternate council member for the Singapore-Sichuan Trade and Investment Council (SSTIC). He had previously served as alternate council member for the Singapore-Liaoning Economic and Trade Council (SLETC). Mr. Puah joined Surbana Corporation Pte Ltd ("Surbana Corporation") in July 2003. Surbana Corporation became known as CapitaLand

Township Holdings Pte. Ltd. ("CapitaLand Township") after CapitaLand acquired a 40% stake in it in July 2011, and CapitaLand subsequently raised its stake in CapitaLand Township to 100% in March 2015. From 2010 to March 2015, Mr. Puah was the Chief Executive Officer of CapitaLand Township Pte. Ltd. (formerly known as Surbana International Investment Pte. Ltd. from October 2006 to May 2007, and Surbana Land Pte. Ltd. from May 2007 to April 2013), a subsidiary of CapitaLand Township. On a regional basis, he has led the team to gross over RMB22 billion of residential sales, with La Botanica Township becoming the best-selling project in terms of residential unit sales in Xi'an from 2014 to 2016; Botanica Township was one of the top 10 best-selling projects in Chengdu in 2010. Under his stewardship, CapitaLand was also placed sixth in total residential sales for Chengdu city in 2016. Mr. Puah started his career in real estate in 1997. Prior to joining Surbana Corporation, Mr. Puah was an Executive Engineer in the Housing and Development Board of Singapore ("HDB"), and he later helmed HDBuilders.com, a construction portal offering e-collaboration and e-procurement services for the real estate industry in Singapore. He was the industry pioneer for e-bidding for construction materials, having managed over S$350 million in online auctions during his time at HDBuilders from 2000 to 2003. Mr. Puah received an overseas undergraduate scholarship from HDB and obtained his Masters of Engineering (First Class Honours) degree in Electrical and Electronic Engineering from Imperial College of Science, Technology and Medicine in 1997. He was later awarded a Post-graduate scholarship from Surbana Corporation and obtained his Executive Masters of Business Administration (Honours) degree from Chicago Booth School of Business in 2010.

Wu Wallis (李樺), alias Li Hua, age 37, is a non-executive Director of our Company and a director of a number of subsidiaries of our Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the chairman of the Board.

Independent Non-executive Directors

Cheung Shek Lun (張石麟), age 58, is an independent non-executive Director of our Company. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in 1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor at the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant at Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president – accounting and other positions at Fortune (Shanghai) Limited from May 1990 to September 2006. He was a senior executive of T.C.C. International Limited from October 2006 to October 2007. He was a vice-chairman of Insite Asset Management Group Ltd. from September 2008 to December 2017 and because a chairman since December 2017. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

Xin Luo Lin (辛羅林), aged 69, is an independent non-executive Director of our Company. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 24 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited from August 2010 to June 2012, an independent non-executive director of China Environmental Technology Holdings Limited from August 2012 to May 2015 and a non-executive director of China Trends Holdings Limited from August 2015 to May 2016, the shares of those

companies are listed on the Stock Exchange. Mr. Xin was an independent non-executive director of Enerchina Holdings Limited, the shares of which is listed on the Stock Exchange from June 2002 to May 2015 and was a non-executive director from May 2015 to June 2016. He is currently the non-executive chairman of Asian Capital Holdings Limited, an independent non-executive director of Beijing Sports And Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) and Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Daikokuya Inc., a company listed on the Tokyo Stock Exchange.

Sun Yuyang (孫煜揚), aged 62, obtained a master degree in law from Wuhan University in 1996 and a doctorate degree in economics from Southwestern University of Finance and Economics in 2001. He has extensive experience in securities market and venture investment management. Dr. Sun has been the division head of the Guizhou Economic Reform Commission, the deputy head of the Policy Inspection Bureau of the Policy Research Office under the Communist Party in Shenzhen, the deputy general manager of Shenzhen Securities Clearing Company and the first chief executive officer of The Shenzhen Stock Exchange. Dr. Sun also served as the assistant general manager of Shum Yip Holdings Company Limited, the deputy general manager of Shum Yip Investment Limited, the chairman and chief executive officer of China High-tech Investment Management Co., Ltd (中國高新技術產業投資管理有限公司), the president of Penghua Fund Management Co., Ltd as well as the vice president and consultant of Guoxin Securities Co., Ltd. Dr. Sun is one of the first batch of managers engaged in venture investment in China with a wealth of investment management experience and risk control ability.

Senior Management

Yuan Xujun (袁旭俊), aged 51, has been appointed as chief executive officer of the Company with effect from 24 March 2017. Mr. Yuan has over 22 years of experience in finance and management. He obtained a certificate of graduation in finance from Shanghai Motor Technical College in 1986 and a master degree in business administration from Macau University of Science and Technology in 2001. Mr. Yuan held several positions in China Vanke Co., Ltd. ("Vanke") from 1994 to January 2017 with his last position as general manager and legal representative of the companies under Vanke. He joined the Company in February 2017 as the president of Central China Real Estate Group (China) Company Limited, and the chairman of Henan Zhongyuan Central China City Development Limited* (河南中原建業城市發展有限公司), a wholly owned subsidiary of the Company.

Hu Ping (胡平), aged 37, has been appointed as chief financial officer of the Company with effect from 24 March 2017. Mr. Hu, has over 12 years of experience in management and finance. He graduated from Qingdao Technological University with a major in accounting in 2002 and obtained a master of accounting from Jiangxi University of Finance and Economics in 2006. Mr. Hu held several positions in Vanke from 2006 to February 2017 with his last positions as manager of the companies under Vanke.

Vinh Mai, age 44, is the Head of Investor Relations and CIO of our Company. He obtained a bachelor degree with honors in Econometrics and Economics from the University of Sydney. Mr. Mai has over 10 years of investment experience. Previously, he had held senior positions in various investment management companies in Australia. Mr. Mai has been the Head of Investor Relations of our Company since September 2010 and was promoted to Chief Investment Officer in August 2011.

Audit Committee

Our Company established an audit committee on May 14, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company. The audit committee comprises three members, namely, Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Mr. Lucas Ignatius Loh Jen Yuh. The audit committee is chaired by Mr. Cheung Shek Lun.

Remuneration Committee

Our Company established a remuneration committee on May 14, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to (i) to make recommendations to the Board on the Company's policies and structures for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) to determine the terms of the specific remuneration package of individual executive directors and senior management; and (iii) to review and approve remuneration proposal by reference to corporate goals and objectives resolved by the directors from time to time. The remuneration committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The remuneration committee is chaired by Mr. Xin Luo Lin.

Nomination Committee

Our Company established a nomination committee on March 29, 2012 with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to recommend to our board or director qualified persons to become the member of the board of directors and to the structure, size and composition of the board of directors on a regular basis and as required as well as to access the independence of each independent director. The nomination committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The nomination committee is chaired by Mr. Wu Po Sum.

Covenant Compliance Team

On October 13, 2010, we entered into the 2010 Indenture pursuant to which we issued the 2010 Notes. We breached certain provisions of the 2010 Indenture as a result of lapses in our covenant compliance procedures. Holders of the 2010 Notes have waived these defaults pursuant to a consent solicitation completed in March 2012. Following the discovery of the breaches, we established a covenant compliance team consisting of staff from our finance department and company secretarial department and chaired by our chief financial officer. We have also engaged special U.S. counsel to assist us with covenant compliance matters. The covenant compliance team meets on a monthly basis and reports to the chief executive officer.

Compensation of Directors

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind (including our contribution to the retirement scheme) paid to our Directors by our Group for the years ended December 31, 2016, 2017 and 2018 were approximately RMB6.5 million, RMB13.6 million and RMB28.4 million (US$4.1 million), respectively. In addition, our executive Directors and chief executive are entitled to share options granted under the pre-IPO Share Option Scheme and the post-IPO Share Option Scheme.

Share Option Schemes

We adopted a new share option scheme on April 19, 2018, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group. We conditionally granted certain share options to our Directors and employees on May 25, 2010, July 25, 2011, March 27, 2013, May 23, 2017, June 12, 2018 and August 23, 2018, respectively, pursuant to the share option scheme. As of the date of this offering memorandum, share options to subscribe for an aggregate of 213,425,760 shares of our Company under the share option scheme remained outstanding.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding Shares as of December 31, 2018 by those persons who beneficially own more than 5% of our outstanding Shares, as recorded in the register maintained by us pursuant to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Name	Ordinary shares beneficially owned[1]	
	Number	%
Joy Bright[2]	1,386,315,639	50.76
CapitaLand LF (Cayman) Holdings Co., Ltd. ("CapitaLand (Cayman)")[3]	658,116,228	24.10
CapitaLand China Holdings Pte Ltd ("CapitaLand China")[3]	658,116,228	24.10
CapitaLand China Investments Limited ("CapitaLand China Investments")[3]	658,116,228	24.10
CapitaLand Limited ("CapitaLand")[3]	658,116,228	24.10
Temasek Holdings (Private) Limited ("Temasek Holdings")[3]	658,116,228	24.10

Notes:

(1) The percentage of the interest in the Company's issued share capital is based on a total of 2,731,262,560 Shares in issue as of December 31, 2018.

(2) Mr. Wu Po Sum holds 100% of the entire issued share capital of Joy Bright and is deemed to be interested in the 1,386,315,639 Shares held by Joy Bright for the purposes of the Securities and Futures Ordinance.

(3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China, CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the Securities and Futures Ordinance.

RELATED PARTY TRANSACTIONS

The following table and discussion described certain material related party transactions between our Company and our directors, executive officers and controlling shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2016, 2017 and 2018. For more information, see notes 37 and 36 to our published audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018, respectively.

	For the year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest income from joint ventures[(1)]	101,579	32,556	66,642
Interest income from non-controlling interests[(2)]	13,127	518	–
Project management fee income	–	10,081	70,446
Interest expenses to joint ventures[(3)]	(107,674)	–	–
Interest expenses to non-controlling interests[(4)]	(7,399)	(2,527)	(32,500)
Receiving service from entities controlled by the ultimate controlling shareholder	–	(2,915)	114,080
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder	–	–	4,437

Notes:

(1) This amount represents our interest income from our advances to our joint ventures.

(2) This amount represents our interest income from our advances to the non-controlling interests of our non-wholly owned subsidiaries.

(3) These amounts represent interest expenses in relation to loans from our joint ventures.

(4) The amount represents interest expenses in relation to advances from non-controlling interests.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of December 31, 2018, our total outstanding borrowings, including without limitation our outstanding senior notes, the 2017 Facility and the Corporate Bonds, totaled RMB19,851.3 million (US$2,887.3 million). We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

PRC Bank Loans

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, without limitation, Bank of China, Industrial and Commercial Bank of China, CITIC Bank, China Guangfa Bank, Agricultural Bank of China and Shanghai Pudong Development Bank. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to three years. As of December 31, 2018, the aggregate outstanding amount under these loans totaled approximately RMB4,815.7 million (US$700.4 million), of which RMB1,499.2 million (US$218.0 million) was due within one year, RMB1,475.1 million (US$214.5 million) was due between one and two years, RMB1,368.3 million (US$199.0 million) was due between two and five years and RMB473.1 million (US$68.8 million) was due after five years. Our PRC bank loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary, and most land use rights owned by us have been mortgaged to secure our PRC bank loans. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

Interest

The principal amounts outstanding under the PRC bank loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual review by the lenders. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2018, the interest rate on our PRC bank loans ranged from 4.75% to 9.30% per annum.

Covenants

Under these PRC bank loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- making amendments to their constitutional documents in a way that may adversely affect their ability to repay their loans;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets;
- transferring of a substantial equity interest in the borrower; and

- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, some of our PRC subsidiaries have agreed not to distribute any dividends (or not to do so without prior consent from the lenders):

- before the debt service schedules are met;
- before the principal amount of and accrued interest on the relevant loans have been fully paid;
- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period; or if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period.

Events of Default

The PRC bank loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. The lenders are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over the land use rights relating to the relevant projects. As of December 31, 2018, RMB3,419.7 million (US$497.4 million) of our PRC bank loans were secured by mortgages over land use rights and properties owned by our subsidiary borrowers.

Other PRC Loans

Certain of our PRC subsidiaries have entered into loan agreements with various PRC financial institutions, including, without limitation, Shanghai International Trust Corporation Limited. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to five years. As of December 31, 2018, the aggregate outstanding amount under these loans totaled approximately RMB833.2 million (US$121.2 million), of which RMB593.2 million (US$86.3 million) was due within one year and RMB240.0 million (US$34.9 million) was due between one and two years. Our other PRC loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Corporate Bonds

On April 13, 2016, we issued the first tranche of domestic corporate bonds with an aggregate principal amount of RMB3.0 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited(建業住宅集團(中國)有限公司). The Corporate Bonds are non-guaranteed, bear interest at 6.0% per annum and will mature in 2021. On March 1, 2019, CCRE China commenced the implementation of sale back of the Corporate Bonds.

January 2013 Notes

On January 28, 2013 we entered into an indenture (as amended and supplemented from time to time, the "January 2013 Indenture") pursuant to which we issued US$200 million principal amount of the 8.0% senior notes due 2020. As of the date of this offering memorandum, we had a total of US$200 million principal amount of the January 2013 Notes outstanding.

Guarantee

Our obligations under the January 2013 Notes are guaranteed by our existing subsidiaries (the "January 2013 Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the January 2013 Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a January 2013 Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2013 Indenture.

Each of the January 2013 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2013 Notes.

Collateral

On January 28, 2013, the trustee to the January 2013 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the January 2013 Notes and the subsidiary guarantees provided by the January 2013 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the January 2013 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2013 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2013 Indenture.

Events of Default

The January 2013 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2013 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2013 Indenture. If an event of default occurs and is continuing, the trustee under the January 2013 Indenture or the holders of at least 25% of the outstanding January 2013 Notes may declare the principal of the January 2013 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The January 2013 Notes and the January 2013 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2013 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time on or after January 28, 2017, the Company may at its option redeem the January 2013 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, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on January 28 of each of the years indicated below.

Period	Redemption Price
2017	104%
2018	102%
2019 and thereafter	102%

At any time prior to January 28, 2017, the Company may at its option redeem the January 2013 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2013 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to January 28, 2017, the Company may redeem up to 35% of the aggregate principal amount of the January 2013 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 108% of the principal amount of the January 2013 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Additionally, if we or a January 2013 Subsidiary Guarantor under the January 2013 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the January 2013 Notes at a redemption price equal to 100% of the principal amount of the January 2013 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2015 Notes

On April 23, 2015, we entered into an indenture (as amended and supplemented from time to time, the "2015 Indenture") pursuant to which we issued US$300 million principal amount of the 8.75% senior notes due 2021. As of the date of this offering memorandum, we had a total of US$300 million principal amount of the 2015 Notes outstanding.

Guarantee

Our obligations under the 2015 Notes are guaranteed by certain of our existing subsidiaries (the "2015 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a 2015 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2015 Indenture.

Each of the 2015 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2015 Notes.

Collateral

On April 23, 2015, the trustee to the 2015 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the 2015 Notes and the subsidiary guarantees provided by the 2015 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2015 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2015 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2015 Indenture.

Events of Default

The 2015 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2015 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2015 Indenture. If an event of default occurs and is continuing, the trustee under the 2015 Indenture or the holders of at least 25% of the outstanding 2015 Notes may declare the principal of the 2015 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The 2015 Notes and the 2015 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time on or after January 23, 2019, the Company may at its option redeem the 2015 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, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 23 of each of the years indicated below.

Year	Redemption Price
2019	104.375%
2020 and thereafter	102.188%

At any time prior to January 23, 2019, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to January 23, 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 108.75% of the principal amount of the 2015 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

2016 Notes

On November 8, 2016, we entered into an indenture (as amended and supplemented from time to time, the "2016 Indenture") pursuant to which we issued US$200 million principal amount of the 6.75% senior notes due 2021. As of the date of this offering memorandum, we had a total of US$200 million principal amount of the 2016 Notes outstanding.

Guarantee

Our obligations under the 2016 Notes are guaranteed by certain of our existing subsidiaries (the "2016 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a 2016 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2016 Indenture.

Each of the 2016 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2016 Notes.

Collateral

On November 8, 2016, the trustee to the 2016 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the 2016 Notes and the subsidiary guarantees provided by the 2016 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the 2016 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2016 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2016 Indenture.

Events of Default

The 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2016 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2016 Indenture. If an event of default occurs and is continuing, the trustee under the 2016 Indenture or the holders of at least 25% of the outstanding 2016 Notes may declare the principal of the 2016 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The 2016 Notes and the 2016 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into transactions with equity holders or affiliates; or

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time on or after November 8, 2019, the Company may at its option redeem the 2016 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, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on November 8 of each of the years indicated below.

Year	Redemption Price
2019	103.3750%
2020 and thereafter	101.6875%

At any time prior to November 8, 2019, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to November 8, 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 106.75% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

March 2018 Notes

On March 5, 2018, we entered into an indenture (as amended and supplemented from time to time, the "March 2018 Indenture") pursuant to which we issued US$300 million principal amount of the 6.5% senior notes due 2021. As of the date of this offering memorandum, we had a total of US$300 million principal amount of the March 2018 Notes outstanding.

Guarantee

Our obligations under the March 2018 Notes are guaranteed by certain of our existing subsidiaries (the "March 2018 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a March 2018 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2018 Indenture.

Each of the March 2018 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the March 2018 Notes.

Collateral

On March 5, 2018, the trustee to the March 2018 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the March 2018 Notes and the subsidiary guarantees provided by the March 2018 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the March 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the March 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the March 2018 Indenture.

Events of Default

The March 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2018 Indenture. If an event of default occurs and is continuing, the trustee under the March 2018 Indenture or the holders of at least 25% of the outstanding March 2018 Notes may declare the principal of the March 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The March 2018 Notes and the March 2018 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding March 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time prior to March 5, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

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

April 2018 Notes

On April 23, 2018, we entered into an indenture (as amended and supplemented from time to time, the "April 2018 Indenture") pursuant to which we issued US$300 million principal amount of the 6.875% senior notes due 2020 on April 23, 2018 and further issued an additional US$86 million principal amount of the 6.875% senior notes due 2020 on June 5, 2018, which were collectively consolidated and formed a single class with the notes issued on April 23, 2018. As of the date of this offering memorandum, we had a total of US$386 million principal amount of the April 2018 Notes outstanding.

Guarantee

Our obligations under the April 2018 Notes are guaranteed by certain of our existing subsidiaries (the "April 2018 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, an April 2018 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the April 2018 Indenture.

Each of the April 2018 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the April 2018 Notes.

Collateral

On April 23, 2018, the trustee to the April 2018 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the April 2018 Notes and the subsidiary guarantees provided by the April 2018 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the April 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the April 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the April 2018 Indenture.

Events of Default

The April 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the April 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the April 2018 Indenture. If an event of default occurs and is continuing, the trustee under the April 2018 Indenture or the holders of at least 25% of the outstanding April 2018 Notes may declare the principal of the April 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The April 2018 Notes and the April 2018 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding April 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time prior to October 23, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 23, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes – Optional Redemption."

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

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

May 2018 Notes

On May 2, 2018, we entered into an indenture (as amended and supplemented from time to time, the "May 2018 Indenture") pursuant to which we issued S$150 million principal amount of the 6.25% senior notes due 2020. As of the date of this offering memorandum, we had a total of S$150 million principal amount of the May 2018 Notes outstanding.

Guarantee

Our obligations under the May 2018 Notes are guaranteed by certain of our existing subsidiaries (the "May 2018 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, an May 2018 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the May 2018 Indenture.

Each of the May 2018 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the May 2018 Notes.

Collateral

On May 2, 2018, the trustee to the May 2018 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the May 2018 Notes and the subsidiary guarantees provided by the May 2018 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the May 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the May 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the May 2018 Indenture.

Events of Default

The May 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the May 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the May 2018 Indenture. If an event of default occurs and is continuing, the trustee under the May 2018 Indenture or the holders of at least 25% of the outstanding May 2018 Notes may declare the principal of the May 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The May 2018 Notes and the May 2018 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding May 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time and from time to time prior to May 2, 2020, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to May 2, 2020, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "Description of the Notes – Optional Redemption."

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

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

January 2019 Notes

On January 29, 2019, we entered into an indenture (as amended and supplemented from time to time, the "January 2019 Indenture") pursuant to which we issued US$200 million principal amount of the 7.325% senior notes due 2020. As of the date of this offering memorandum, we had a total of US$200 million principal amount of the January 2019 Notes outstanding.

Guarantee

Our obligations under the January 2019 Notes are guaranteed by certain of our existing subsidiaries (the "January 2019 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a January 2019 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2019 Indenture. Each of the January 2019 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the January 2019 Notes.

Collateral

On January 29, 2019, the trustee to the January 2019 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the January 2019 Notes and the subsidiary guarantees provided by the January 2019 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the January 2019 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2019 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2019 Indenture.

Events of Default

The January 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2019 Indenture. If an event of default occurs and is continuing, the trustee under the January 2019 Indenture or the holders of at least 25% of the outstanding January 2019 Notes may declare the principal of the January 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Covenants

The January 2019 Notes and the January 2019 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

(i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

(ii) declare dividends on its capital stock or purchase or redeem capital stock;

(iii) make investments or other specified restricted payments;

(iv) issue and sell capital stock of related restricted subsidiaries;

(v) guarantee indebtedness of related restricted subsidiaries;

(vi) sell assets;

(vii) create liens;

(viii) enter into sale and leaseback transactions;

(ix) engage in any business other than permitted business;

(x) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(xi) enter into certain transactions with affiliates; and

(xii) effect a consolidation or merger.

Change of Control

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding January 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Redemption

At any time on or after July 29, 2019, the Company may at its option redeem the January 2019 Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the redeemed Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 29, 2019, the Company may redeem up to 35% of the aggregate principal amount of the January 2019 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 107.325% of the principal amount of the January 2019 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date.

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

2017 Facility

On March 28, 2017, we entered into a facility agreement in connection with a US$150,000,000 facility with a number of lenders, including Bank of China (Hong Kong) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Nanyang Commercial Bank Limited, Industrial and Commercial Bank of China (Asia) Limited and Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch. The proceeds of the facility are to be used to refinance existing indebtedness and for general corporate purposes. On May 15, 2017, we drewdown an amount of US$40,000,000 under the 2017 Facility. On June 30, 2017, we drewdown an amount of US$110,000,000 under the 2017 Facility. As of the date of this offering memorandum, we have an amount of US$135,000,000 outstanding under this facility.

Interest

The 2017 Facility bears interest at the rate of 4.15% per annum over the London Interbank Offered Rate (the "LIBOR"), payable according to a schedule we select at the time a draw down is made. Any amount outstanding under the 2017 Facility which is unpaid on the due date will bear interest at 2% over the applicable interest rate.

Maturity and prepayment

We are able to draw down amounts from the 2017 Facility until 30 June 2017 and the outstanding loan amount drawn from the facility is repayable in four semi-annual installments and in the amounts as follows: (i) on the date falling 24 months from the date of the facility agreement, 10% of the principal amount of loan outstanding; (ii) on the date falling 30 months from the date of the facility agreement, 15% of the principal amount of loan outstanding; (iii) on the date falling 36 months from the date of the facility agreement, 25% of the principal amount of loan outstanding; and (iv) on the date falling 42 months from the date of the facility agreement, 50% of the principal amount of loan outstanding. All sums outstanding in respect of the 2017 Facility has to be repaid 42 months from the date of the facility agreement.

Guarantee

Our obligations under the 2017 Facility are guaranteed by the Subsidiary Guarantors. Each of these Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 Facility.

Collateral

In order to secure the obligations under the 2017 Facility, our obligations under the 2017 Facility are secured by the Collateral. The Collateral will be shared on a *pari passu* basis with the secured parties under to the Intercreditor Agreement. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2017 Facility may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the loan under the 2017 Facility and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2017 Facility.

Covenants

Pursuant to the facility agreement, we agreed to the following financial covenants:

- our consolidated tangible net worth, as defined in the facility agreement, shall not at any time be less than RMB5,500,000,000

- the ratio of consolidated net borrowings to consolidated tangible net worth, as defined in the facility agreement, shall not at any time exceed 1:1

- the ratio of consolidated net borrowings to consolidated tangible net worth (including any guarantee provided for the borrowings of the affiliates and/or JV subsidiaries of the borrower), as defined in the facility agreement, shall not at any time exceed 1.80:1

- the ratio of consolidated EBITDA to consolidated interest expenses, as defined in the facility agreement, shall not be less than 2.30:1

- the ratio of consolidated PRC borrowings to consolidated total assets, as defined in the facility agreement, shall not exceed 0.25:1

- the total amount of borrower distributions by us in any financial years shall not exceed 35%

Events of Default

The facility agreement contains certain customary events of default, including insolvency and breaches of the terms of the facility agreement. The lenders are entitled to terminate all or any part of the total commitment and/or declare that all or part of any amounts outstanding are immediately due and payable and/or payable on demand by the lenders.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Central China Real Estate Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and DB Trustees (Hong Kong) Limited, as trustee (the "Trustee"). The term "Indenture" when used in this offering memorandum will refer to the Indenture as amended by all supplemental Indentures executed on or prior to the date on which the Notes are issued and sold.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available (upon reasonable advance notice being given to the Trustee) on or after the Original Issue Date during normal business hours at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

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

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

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and *pari passu* sharing described below); and

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

The Notes will mature on April 24, 2023, unless earlier redeemed pursuant to the term thereof and the Indenture.

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

The Notes will bear interest at 7.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on April 24 and October 24 of each year, commencing on October 24, 2019 (each an "Interest Payment Date"). Interest on the Notes will be paid to Holders of record at the close of business on April 9 or October 9 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption," "Redemption for Taxation Reasons," and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

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

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 principal amount and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the office of the Paying Agent (as defined below), currently located at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed

to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Artstar Investments Limited, Bumper Up Limited, Central China Real Estate Holdings Limited, Joy Ascend Holdings Limited, Leapup Limited, Proud Sky Investments Limited, Sino Joy Enterprises Limited, Ahead Properties Limited, Central China Properties Development Limited, Central China Real Estate Investments Limited, Construction Premier Service Limited, Country Star Holdings Limited, Abundant Well Limited, Cheer World Limited and Precise Wish Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (collectively the "Initial Non-Guarantor Subsidiaries"), Exempted Subsidiaries, Unrestricted Subsidiaries nor PRC Restricted Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date. All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or the Exempted Subsidiaries), as soon as practicable after such Person becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing sentence, the Company may elect to have any Restricted Subsidiary organized under laws outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee (Restricted Subsidiaries other than those organized under the laws of the PRC that do not provide Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary; *provided* that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 25.0% of the Total Assets.

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 indenture to the Indenture will be a "Subsidiary Guarantor."

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary

Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than the Exempted Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2018, the Company and its subsidiaries had total consolidated indebtedness (which includes bank loans, other loans, senior notes and corporate bonds) of approximately RMB19,851.3 million (US$2,887.3 million), of which approximately RMB3,910.0 million (US$568.7 million) was secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

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

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

In addition, subject to the limitations described in "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and *pari passu* sharing described below) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "– Security;" and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the

Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "– Defeasance – Defeasance and Discharge;"

- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the

case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;

- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or

- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell or has sold, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with or after the consummation of such sale or issuance of Capital Stock, (a) request the Trustee to release the Subsidiary Guarantee provided by such Subsidiary Guarantor and the Subsidiary Guarantee provided by each of its Restricted Subsidiaries organized under laws outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized under laws outside the PRC will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) request the Global Security Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in each such New Non-Guarantor Subsidiary (in each case under (a) and (b), without any requirement to seek the consent or approval of the Holders of the Notes), *provided* that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than the Exempted Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries) do not account for more than 25.0% of the Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (x) prohibiting the Company or any of the Restricted Subsidiaries 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 by such Subsidiary Guarantor.

Each of the Trustee and the Global Security Agent shall comply with a request referred to in (a) or (b) above if the conditions precedent to such release set forth in the Indenture and the Intercreditor Agreement have been complied with, as evidenced by an Officers' Certificate from the Company to such effect, and the Trustee and the Global Security Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than the Exempted Subsidiaries) and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

Security

The Company and the initial Subsidiary Guarantor Pledgors, for the benefit of the holders of each series of the Existing Notes and the finance parties under the 2017 Facility, have pledged the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") on a first priority basis (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under each indenture for each series of the Existing Notes and the agreement for the 2017 Facility, and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of each series of the Existing Notes and the agreement for the 2017 Facility and the obligations of the Company or any Subsidiary Guarantor Pledgor under other *pari passu* secured indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. Upon the Trustee acceding to the Intercreditor Agreement in the manner as described under "– Intercreditor Agreement", such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Joy Ascend Holdings Limited, Central China Real Estate Holdings Limited, Bumper Up Limited, Artstar Investments Limited, Sino Joy Enterprises Limited, Leapup Limited and Proud Sky Investments Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Global Security Agent.

The Company has also agreed, for the benefit of the Holders, to pledge, and cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary or additional shares of Capital Stock acquired or otherwise received by the Company or such Subsidiary Guarantor of any existing Restricted Subsidiary (in each case, other than any Non-Guarantor Subsidiary and its Subsidiaries) after the Original Issue Date, as soon as practicable after such Person has become a Restricted Subsidiary or (in the case of an

Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges the Capital Stock of a Restricted Subsidiary after the Original Issue Date is referred to as a "Future Subsidiary Guarantor Pledgor" and, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

The Collateral will be shared pursuant to the Intercreditor Agreement on a *pari passu* basis by the Holders and the holders of other secured indebtedness including the Existing Notes and the 2017 Facility. 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 proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), and the Collateral securing the Notes and such Subsidiary Guarantee (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement) may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "– Release of Security" and "Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral – The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness."

Deutsche Bank Trust Company Americas has acted and will initially act as the Global Security Agent under the Security Documents in respect of the security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee and the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders and the beneficiaries of the Secured Liabilities. Neither the Trustee nor the Global Security Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the such parties, unless such parties have offered to the Trustee and/or the Global Security Agent indemnity and/or security satisfactory to the Trustee and the Global Security Agent, as applicable, against any loss, liability or expense.

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement). By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any Pari Passu Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (1) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "– Limitation on Indebtedness and Preferred Stock;" (2) the holders of such Indebtedness (other than Additional Notes) (or their representative) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Global Security Agent an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and/or the Global Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors and Deutsche Bank Trust Company Americas, as the Global Security Agent, among others, entered into an intercreditor agreement on October 20, 2010, to which prior to the Original Issue Date, among others, each trustee on behalf of the holders of each series of Existing Notes acceded and to which Bank of China (Hong Kong) Limited as facility agent under the 2017 Facility acceded (as such may be amended, modified or supplemented from time to time, the "Intercreditor Agreement") pursuant to which the Global Security Agent agreed to act as the collateral agent for the facility agent on behalf of the finance parties under the 2017 Facility and each trustee on behalf of the holders of each series of the Existing Notes and holders of any Permitted Pari Passu Secured Indebtedness incurred after the date thereof or their trustee or agent (such holders or their trustee or agent, the "Creditor Representatives") with respect to the Collateral securing such agreements, trust deeds or indentures or with respect to the Permitted Pari Passu Secured Indebtedness (if any) (such obligations, collectively, are herein referred to as the "Secured Liabilities"). On or before the Original Issue Date, the Trustee on behalf of the Holders will enter into a supplement to the Intercreditor Agreement pursuant to which the Trustee will become a party to the Intercreditor Agreement as a Secured Creditor and a Creditor Representative and the obligations of the Company under the Notes and the obligations of each Subsidiary Guarantor Pledgor under its Subsidiary Guarantee will become Secured Liabilities subject to the Intercreditor Agreement, to the effect that the Collateral will secure such obligations for the benefit of the Trustee on behalf of the holders of the Notes on a *pari passu* basis with the Company's and the Subsidiary Guarantor Pledgors' obligations under the other outstanding Secured Liabilities, as the case may be.

The Intercreditor Agreement provides, among other things, that (1) the Secured Liabilities shall rank *pari passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pari passu* among themselves; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents, and the terms for substitution or release of the Collateral shall be substantially similar to the terms of the Debt

Documents; and (3) the parties thereto shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby as described in "– Enforcement of Security" below. Items (1), (2) and (3) in the previous sentence may only be amended or waived with the consent of the Majority Creditors.

After the Original Issue Date and prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Company will procure that the holders of such Permitted Pari Passu Secured Indebtedness (through their trustee or agent, if applicable) will execute and deliver a supplement to the Intercreditor Agreement or an accession letter, which shall be in a form substantially similar to the form as prescribed by the Intercreditor Agreement, to become parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments, supplements or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The first priority Lien securing the Secured Liabilities has been, and will be granted to the Global Security Agent. The Global Security Agent for itself and the creditors under the Debt Documents will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Creditor Representatives or the Majority Creditors, if applicable, to exercise remedies under the Security Documents. The Global Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable security documents, to follow the instructions provided to it by one or more of the Creditor Representatives or the Majority Creditors, if applicable, under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Global Security Agent in accordance with instructions it receive from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Global Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Global Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement will provide that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

first, in or towards payment of any unpaid fees, costs and expenses of the Global Security Agent and any receiver, attorney or agent appointed under the Intercreditor Agreement and Security Documents and any amount for which the Global Security Agent is entitled to indemnification under the Intercreditor Agreement;

secondly, pro rata, in or towards payment to the trustees and/or agents under the Indenture and any other Debt Documents for application against any fees, costs and expenses payable to them under the Debt Documents and any amount for which such trustees and/or agents are entitled to indemnification under the applicable Debt Document;

thirdly, pro rata, in or towards payment to each of the Creditor Representatives for the Secured Liabilities for application against the interest and principal payable under the Debt Documents relevant to it;

fourthly, pro rata, in or towards payment of any other sum payable to each of the Creditor Representatives for the Secured Liabilities under the Debt Documents relevant to it; and

lastly, the payment of the surplus (if any) to the Company, the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto.

The Global Security Agent may refrain from acting in accordance with the instructions of the Creditor Representatives until it has received security satisfactory to it against any liability or loss which it may incur in complying with the instructions. In addition, the Global Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Global Security Agent's Liens on the Collateral.

Neither the Global Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Secured Liabilities, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. Nor will the Global Security Agent be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Intercreditor Agreement and Security Documents will provide that the Obligors shall jointly and severally forthwith on demand indemnify the Global Security Agent for any liability, damage, cost, expense or loss incurred by the Global Security Agent in any way relating to or arising out of its acting as the Global Security Agent, except to the extent that the liability, damage, cost, expense or loss arises directly from the Global Security Agent's willful misconduct or gross negligence.

This section, "– Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "– Permitted Pari Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "– Defeasance – Defeasance and Discharge;"
- upon dispositions of the Collateral in compliance with the covenants described under "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "– Limitation on Asset Sales" or in accordance with the provision under the caption "– Consolidation, Merger and Sale of Assets;"
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by such JV Subsidiary Guarantor (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the release of the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor in compliance with the terms of the Indenture;

- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Parent Guarantor of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary in compliance with the terms of the Indenture; and

- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Subsidiary.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time and from time to time on or after April 24, 2021, the Company may at its option 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, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on April 24 of each of the years indicated below.

Year	Redemption Price
2021	103.625%
2022 and thereafter	101.8125%

At any time and from time to time prior to April 24, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to April 24, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the redeemed Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

Selection and Notice

The Company will give not less than 15 days' nor more than 30 days' notice of any redemption, with at least 20 days' notice to the Trustee or such shorter period of notice as may be agreed with the Trustee. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or

(2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate unless otherwise required by law or by applicable stock exchange or clearing system requirements.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company's, the Subsidiary Guarantors' and the JV Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

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

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest

date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Subsidiary Guarantor may issue Preferred Stock and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

    (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee;

    (b) any Pari Passu Guarantees;

    (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g), (m) and (o) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company is the obligor on such Indebtedness and none of the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be; *provided* further that, any Preferred Stock issued by a Subsidiary Guarantor or a JV Subsidiary Guarantor and held by the Company or another Restricted Subsidiary must by the terms thereof or by operation of law be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

(e) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "Refinance" and "Refinances" and "Refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is Refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (p), (q), (r), (s), (t), (u) or (v) of this paragraph (2) and any Refinancings thereof in an amount not to exceed the amount so Refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be Refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of

any JV Subsidiary Guarantor (*provided* that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease or other purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (h) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q), (r), (t), (u) or (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q), (r), (t), (u) or (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in

respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided*, *however*, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement; *provided* that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement

(p) 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 PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above or (q), (r), (t), (u) or (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q), (r), (t), (u) or (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) or (p) above or (r), (t), (u) or (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) above or (r), (t), (u) or (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(r) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) or (q) above or (t), (u) or (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (q) above or (t), (u) or (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(s) 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$25.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);

(t) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary) by the Company or such Restricted Subsidiary, if the aggregate of all Indebtedness Incurred under this clause (t) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (t) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) or (r) above or clauses (u) or (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) or (r) above or clauses (u) or (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (u) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (u) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r) or (t) above or clause (v) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r) or (t) above or clause (v) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets; and

(v) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount

outstanding of all such Indebtedness Incurred under this clause (v) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (v) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (t) or (u) above (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r), (t) or (u) above to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso part (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

(4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by a Trust Company Investor);

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Measurement Date occurred and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, not less than 50% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary 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 under paragraph (2)(p) of the "Limitation on Indebtedness and Preferred Stock" covenant;

(7) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (7), not to exceed US$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date); or

(8) the declaration and payment of dividends by the Company and/or the repurchase of the Company's Common Stock with respect to any financial year, *provided* that such declaration and payment of dividends by the Company pursuant to this clause (8), together with such repurchase of the Company's Common Stock pursuant to this clause (8), shall not in the aggregate exceed 30.0% of the consolidated profit for the year of the Company calculated in accordance with GAAP;

provided that, in the case of clause (2), (3), (4) or (8) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1), (7) and (8) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments. For the avoidance of doubt, the 2010 Dividend shall not be included in such calculation as set forth in the foregoing sentence.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) and (6) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "– Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "– Limitation on Restricted Payments" covenant and paragraph (19) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

    (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

    (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

    (c) make loans or advances to the Company or any other Restricted Subsidiary; or

    (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

    (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness or Pari Passu Guarantee, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the

encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness and Preferred Stock" and "– Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u) or (2)(v) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, such encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect

the ability of (x) the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, respectively; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "– Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is neither a Subsidiary Guarantor nor a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guaranteed Indebtedness is permitted by clauses (2)(c), (2)(d), or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or bank deposits to secure any Bank Deposit Secured Indebtedness), under the caption "– Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

    (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$3.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

    (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for the service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under "– Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company; and

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Further, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between (A) any of the Company or a Restricted Subsidiary and (B) any Jointly Controlled Entity, Associate or Unrestricted Subsidiary; *provided* that (1) such transaction is entered into in the ordinary course of business and (2) none of the shareholders or partners of or in such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Jointly Controlled Entity or by reason of being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to the covenant described above under "– Limitation on Indebtedness and Preferred Stock" and (b)

incurred a Lien to secure such Indebtedness pursuant to the covenant described above under "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under "– Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or to acquire Replacement Assets; or

(3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

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) for the purposes specified, including any adjustment based on the Company's business needs and changing market conditions, under the caption "Use of Proceeds" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "– Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "– Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "– Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of

such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "– Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "– Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under "– The Subsidiary Guarantees and the JV Subsidiary Guarantees"; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned directly by the Company or any other Restricted Subsidiary shall be pledged to the extent required under "– Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the business of the Company and the Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

    (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "– Repurchase of Notes upon a Change of Control" or "– Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the provisions described under the caption "– Security;"

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority Lien on the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See "– Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries'' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See ''– Provision of Financial Statements and Reports.''

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the ''Surviving Person'') shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under ''– Limitation on Indebtedness and Preferred Stock;''

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption ''– Consolidation, Merger and Sale of Assets,'' shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related

transactions) to another Person (other than to the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company or another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso in part (1) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;" and

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

provided that this paragraph shall not apply to any sale or other disposition that complies with the "– Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "– The Subsidiary Guarantees – Release of the Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company may exclude Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company to comply with the registration requirements or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to hold monies for payment in trust and to pay Additional Amounts) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, money, U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under "– Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "– Certain Covenants-Anti-Layering," and (ii) clause (3) under "Events of Default" with respect to clauses (3), (4) and (5)(x) under the first paragraph, and clauses (3), (4) and (5)(x) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in clause (i) above, clause (4) under "Events of Default" with respect to such other covenants in clause (i) above and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document, *provided however* that such amendment shall not adversely affect the interest of the Holders;

(2) comply with the provisions described under "– Consolidation, Merger and Sale of Assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Global Security Agent to enter into any supplements or amendments to the Intercreditor Agreement, the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) make any other change that does not materially and adversely affect the rights of any Holder; or

(12) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be modified or amended, and future compliance with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of the Intercreditor Agreement, any Security Document or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;

(12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under "– Limitation on Asset Sales;"

(13) change the redemption date or the redemption price of the Notes from that stated under the caption "– Optional Redemption" or "– Redemption for Taxation Reasons;"

(14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or

(15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning the Trustee and the Agents

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture, Deutsche Bank Luxembourg, S.A. has been appointed as note registrar (the "Note Registrar"), and Deutsche Bank AG Hong Kong Branch has been appointed as paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent," and together with the Trustee, the Note Registrar and the Paying Agent, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

None of the Trustee, the Paying Agent, the Note Registrar, or the security agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except as a result of the Agent's own fraud, gross negligence or willful misconduct.

Deutsche Bank Trust Company Americas has acted and will initially act as Global Security Agent under the Security Documents in respect of the Security over the Collateral. The Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Global Security Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Global Security Agent indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Global Security Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee or the Global Security Agent in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Initial Global Note"). On the Original Issue Date, the Initial Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes", together with the Initial Global Note, the "Global Notes").

Global Notes

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "– Certificated Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of

Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures.

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided*, *however*, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in

respect of any Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Certificated Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "– Events of Default" and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The relevant pledge documents pursuant to "– Security" will be governed under the laws of the jurisdiction in which the relevant Subsidiary Guarantor is incorporated.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2015 Notes*" means the US$300,000,000 8.75% per annum senior notes due 2021 issued by the Company on April 23, 2015.

"*2016 Notes*" means the US$200,000,000 6.75% per annum senior notes due 2021 issued by the Company on November 8, 2016.

"*2017 Facility*" means the US$150,000,000 facility granted to the Company pursuant to a facility agreement dated March 28, 2017, entered into between the Company, the Subsidiary Guarantors, a number of lenders, including Bank of China (Hong Kong) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Nanyang Commercial Bank, Industrial and Commercial Bank of China (Asia) Limited and Shanghai Pudong Development Bank Co., Ltd. and Bank of China (Hong Kong) Limited as the facility agent.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after April 24, 2021, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"*Affiliate*" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under

common control with''), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Applicable Premium*" means, with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on April 24, 2021 (such redemption price being set forth in the table appearing above under the caption "–Optional Redemption''), plus (y) all required remaining scheduled interest payments due on such Note through April 24, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date. For the avoidance of doubt, calculation of the Applicable Premium will be made by the Company or on behalf of the Company by such Person as the Company shall designate; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee or any Agents.

"*April 2018 Notes*" means US$386,000,000 6.875% senior notes due 2020 issued by the Company on April 23, 2018 and June 5, 2018.

"*Asset Acquisition*" means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

"*Asset Disposition*" means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

"*Asset Sale*" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "– Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant described under "– Consolidation, Merger and Sale of Assets;"

(7) sales or other dispositions of cash or of Temporary Cash Investments; and

(8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"*Associate*" means any Person of which at least 20% of the Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

"*Attributable Indebtedness*" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction.

"*Average Life*" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"*Bank Deposit Secured Indebtedness*" means Indebtedness of the Company or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts or bank deposits of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC; *provided*, *however*, that the total deposits in such pledged bank accounts shall not at any time be less than 100% or exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

"*Board of Directors*" means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"*Board Resolution*" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"*Business Day*" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"*Capitalized Lease*" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger, amalgamation or consolidation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);

(2) the Permitted Holders are the beneficial owners of less than 30% 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 of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company.

"*Clearstream*" means Clearstream Banking S.A..

"*Collateral*" means all collateral securing, or purported to be securing, directly or indirectly, the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"*Commodity Hedging Agreement*" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"*Comparable Treasury Issue*" means the U.S. Treasury security having a maturity comparable to April 24, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to April 24, 2021.

"*Comparable Treasury Price*" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"*Consolidated Assets*" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"*Consolidated EBITDA*" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"*Consolidated Fixed Charges*" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"*Consolidated Interest Expense*" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) to the extent that such interest has become payable by the Company or any Restricted Subsidiary, and (7) any capitalized interest, *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period, in each case, minus interest income for such period.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

   (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

   (b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"*Consolidated Net Worth*" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"*Contractor Guarantees*" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"*Currency Agreement*" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"*Debt Documents*" means, collectively, each indenture for each series of the Existing Notes, the agreement for the 2017 Facility, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "– Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the "– Limitation on Asset Sales" and "– Repurchase of Notes upon a Change of Control" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Entrusted Loans*" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that, such borrowings are not reflected on the consolidated balance sheet of the Company.

"*Equity Offering*" means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted

Holder, after the Original Issue Date, to the extent that a Permitted Holder or a 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; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"*Euroclear*" means Euroclear Bank SA/NV.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Exempted Subsidiary*" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee, a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement (if any); *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.

"Existing Notes" means the January 2013 Notes, the 2015 Notes, the 2016 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes and the January 2019 Notes.

"*Fair Market Value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

"*Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Two Semi-Annual Period") to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate

Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"*GAAP*" means generally accepted accounting principles in Hong Kong as in effect from time to time.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligation*" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Incur*" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the

form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness."

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations, Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) or any Entrusted Loan; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the "Limitation on Indebtedness and Preferred Stock" covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

"*Independent Third Party*" means any Person that is not an Affiliate of the Company. "Intercreditor Agreement" has the meaning set forth under "– Security."

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"*Investment*" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

An acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Company will not be deemed an Investment.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the book value of the Company's proportional interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"*Investment Property*" means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yield or for capital appreciation or both, or any hotel owned by the Company or any PRC Restricted Subsidiary as an investment property.

"*January 2013 Notes*" means US$200,000,000 8.0% senior notes due 2020 issued by the Company on January 28, 2013.

"*January 2019 Notes*" means US$200,000,000 7.325% senior notes due 2020 issued by the Company on January 29, 2019.

"*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 Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

"*JV Subsidiary Guarantee*" has the meaning set forth under the caption "– The Subsidiary Guarantees."

"*JV Subsidiary Guarantor*" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"*Jointly Controlled Entity*" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and which corporation, association or other business entity is treated as a "jointly venture" in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"*Majority Creditors*" means, as of any time of determination, the creditors under the Debt Documents that represent more than 50% of the aggregate principal amount of secured liabilities outstanding under the Debt Documents at such time.

"*Measurement Date*" means October 20, 2010.

"*Minority Interest Staged Acquisition Agreement*" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"*March 2018 Notes*" means the US$300,000,000 6.5% per annum senior notes due 2021 issued by the Company on March 5, 2018.

"*May 2018 Notes*" means S$150,000,000 6.25% senior notes due 2020 issued by the Company on May 2, 2018.

"*Moody's*" means Moody's Investors Service, Inc. and its successors.

"*Net Cash Proceeds*" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Non-Guaranteed Portion*" means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the balance sheet of such JV Subsidiary Guarantor after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

"*Non-Guarantor Subsidiaries*" means the Exempted Subsidiaries, the Initial Non-Guarantor Subsidiaries, the New Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

"*Obligors*" means, collectively, the Company, the Subsidiary Guarantor Pledgor and any other person who becomes a party to the Intercreditor Agreement as an obligor after the date thereof.

"*Offer to Purchase*" means an offer to purchase the Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"*Officer*" means one of the directors or executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"*Officers' Certificate*" means a certificate signed by two Officers; *provided* that, with respect to any Subsidiary Guarantor or JV Subsidiary Guarantor having only one Officer, an "Officers' Certificate" means a certificate signed by such Officer.

"*Opinion of Counsel*" means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

"*Original Issue Date*" means the date on which the Notes are originally issued under the Indenture.

"*Pari Passu Guarantee*" means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "– Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the Notes, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"*Payment Default*" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "– Repurchase of Notes upon a Change of Control," or an Offer to Purchase in the manner described under the caption "– Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"*Permitted Holders*" means any or all of the following:

(1) Mr. Wu Po Sum and his children;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) or the estate or legal representatives of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"*Permitted Investment*" means:

(1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) any Investment in cash or Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "– Limitation on Asset Sales;"

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "– Limitation on Liens;"

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(16) payments made pursuant to any Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;

(17) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land redevelopment activities in the ordinary course of business that are recorded as assets on the Company's balance sheet to the extent each such advance or deposit is on normal commercial terms;

(18) repurchases of Notes;

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person; *provided* that:

(i) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed in aggregate an amount equal to 35% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue 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 Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

(D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or

(E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment"),

not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19);

(ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption "– Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company); and

(iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made; and

(20) any Guarantees permitted to be Incurred under clause (2)(p) or (2)(t) of the covenant described under "– Limitation on Indebtedness and Preferred Stock."

"*Permitted Liens*" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations of the type permitted by clause (2)(f) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;" *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "– Security – Permitted Pari Passu Secured Indebtedness;"

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(22) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness or Preferred Stock of the type permitted to be Incurred under clause (2)(p) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(23) Liens incurred on one or more bank accounts or deposits to secure Bank Deposit Secured Indebtedness;

(24) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary of the type described under clause (2)(r) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(25) Liens incurred or deposits made to secure Entrusted Loans;

(26) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Staged Acquisition Agreement securing Indebtedness which is permitted to be Incurred under clause (2)(o) or (2)(v) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(28) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(s) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"

(29) Liens securing Indebtedness permitted to be Incurred under clause (2)(t) of the covenant described under "– Limitation on Indebtedness and Preferred Stock", and

(30) Liens securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under "– Limitation on Indebtedness and Preferred Stock".

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1), (6), (13) and (14) of this definition.

"*Permitted Pari Passu Secured Indebtedness*" has the meaning set forth under "– Security – Permitted Pari Passu Secured Indebtedness."

"*Permitted Subsidiary Indebtedness*" means Indebtedness of, and all Preferred Stock issued by, the Restricted Subsidiaries (other than the Subsidiary Guarantors), taken as a whole (excluding any Public Indebtedness); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f), (2)(g), (2)(m) and (2)(o) of the covenant described under "– Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of Total Assets.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Pre-Registration Mortgage Guarantee*" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"*PRC*" means the People's Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

"*PRC CJV*" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently promulgated on September 3, 2016 and effective on October 1, 2016) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), as such laws may be amended.

"*PRC CJV Partner*" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"*PRC Restricted Subsidiary*" means a Restricted Subsidiary organized under the laws of the PRC.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*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.

"*Reference Treasury Dealer*" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in the City of New York, selected by the Company in good faith.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"*Replacement Assets*" means, on any date, property or assets (other than current assets that are not land use rights, prepaid land lease payments, properties under development or completed properties held for sale) that will be used in the businesses of the Company or any Restricted Subsidiary, including the Capital Stock of any Person holding such property or assets and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"*Secured Creditors*" means, collectively, the Global Security Agent and the creditors and the agents under the Debt Documents.

"*Secured Liabilities*" means, collectively, all present and future obligations, contingent or otherwise, of the Company and its Subsidiaries to the noteholders, lenders and their agents or trustees under the Debt Documents, including any interest, fees and expenses accruing after the initiation of any insolvency proceeding (irrespective of whether such interest, fees and expenses are allowed as a claim in such proceeding).

"*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 security interest in favor of the Global Security Agent, the Trustee and/or any Holders in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

"*Senior Indebtedness*" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its

Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

"*Staged Acquisition Agreement*" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"*Stated Maturity*" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"*Subordinated Indebtedness*" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is 'controlled' and consolidated by such Person in accordance with GAAP; *provided*, *however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

"*Subsidiary Guarantee*" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"*Subsidiary Guarantor*" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"*Subsidiary Guarantor Pledgor*" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor does not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"*Temporary Cash Investment*" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank of financial institution which is organized under the laws of the PRC or Hong Kong, or structured deposit products with a term not exceeding six months that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that (1) only with respect to clause (2)(h) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, (2) only with respect to the calculation of "Non-Guaranteed Portion," in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties, (3) only with respect to clause (2)(u) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and (4) only with respect to any Person becoming a New Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the

consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor 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 a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

"*Unrestricted Subsidiary*" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Government Obligations*" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands and PRC income 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.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties save for a double tax treaty entered into with United Kingdom in 2010.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with our Company:

That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from November 27, 2007.

PRC Taxation

Taxation on Interest and Capital Gains

Under the CIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident

Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global taxable income.

If we were treated as a PRC resident enterprise, we would be obligated to withhold PRC income tax of 10% on payments of interest, and possibly premium, on the Notes to investors that are non-PRC resident enterprises, if the interest or premium is regarded as being derived from sources within the PRC. In the case of individual holders of the Notes, the aforesaid withholding tax rate will be 20%. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we were treated as a PRC resident enterprise, any gain realized by such non-resident enterprise investor from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax (20% in the case of individuals). We currently take the position that we are not a PRC resident enterprise. However, as advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the CIT Law. PRC tax liability may be reduced by an applicable tax treaty.

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 the PRC, which is currently expected to be the case) of a Note.

PLAN OF DISTRIBUTION

BNP Paribas, Credit Suisse (Hong Kong) Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, Haitong International Securities Company Limited and Morgan Stanley & Co. International plc are acting as joint bookrunners of the offering and as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum (the "Purchase Agreement"), the Initial Purchasers have each, severally and not jointly, agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
BNP Paribas	US$37,500,000
Credit Suisse (Hong Kong) Limited	US$62,500,000
DBS Bank Ltd	US$50,000,000
Deutsche Bank AG, Singapore Brach	US$50,000,000
Haitong International Securities Company Limited	US$62,500,000
Morgan Stanley & Co. International plc	US$37,500,000
Total	**US$300,000,000**

The Purchase Agreement will provide that the Company will pay the Initial Purchasers a customary commission. The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

We have agreed that, during the period beginning on the date hereof to the date on which the Notes are issued, (both dates inclusive), we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us (other than (i) the Notes and the Subsidiary Guarantees and any Additional Notes (as defined in the January 2013 Indenture, the 2015 Indenture, the 2016 Indenture, the March 2018 Indenture, the April 2018 Indenture, the May 2018 Indenture, the January 2019 Indenture and the Indenture (collectively, the "Indentures")) to be issued under the Indentures and (ii) any such debt securities offered to no more than two investors in any private placement). The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

Any of the Initial Purchasers (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do

not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit any of the Initial Purchasers (as stabilizing manager) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither the Company nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that any of the Initial Purchasers (as stabilizing manager) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, purchasers who wish to trade Notes prior to the closing date will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have, from time to time, engaged in transactions with and performed services for us in the ordinary course of business for which they have received customary fees and reimbursement of expenses and they may continue to do so in the future. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers and their affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Initial Purchasers or any of their affiliates may acquire for their own account a portion of the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution.

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

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs/Prohibition of Sales to EEA Retail Investors

The Notes have not been and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**").

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantee (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

United Kingdom

The Initial Purchasers have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by them in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of such Act does not apply to Initial Purchasers and the Initial Purchasers have complied and will comply with all applicable provisions of such Act with respect to anything done by them in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

The Notes will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document

relating to the Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "FIEL"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re- sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, 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 may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where 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 or securities-based derivatives contracts (each term as defined in 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:

(1) 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;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale of by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document except pursuant to the applicable laws and regulations of the PRC.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Notes have not been registered under the Securities Act or any other applicable securities laws;

   - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

   - the Notes are being offered and sold only outside of the United States, in offshore transactions in reliance on Regulation S under the Securities Act; and

   - unless so registered, the Notes may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours and that you are not acting on our behalf and you are purchasing the Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.

5. You acknowledge that each Note will contain a legend substantially to the following effect:

   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 (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 SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

We have been assigned a long-term corporate credit rating of "B+" with a negative outlook by S&P, a corporate family rating of "Ba3" with a stable outlook by Moody's and a long-term foreign currency issuer default rating of "BB-" with a stable outlook by Fitch. 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.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law, Li & Partners as to matters of Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Norton Rose Fulbright Hong Kong as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITORS

The consolidated financial statements of Central China Real Estate Limited as of and for the years ended December 31, 2017 and 2018, included in this offering memorandum, have been audited by KPMG, Certified Public Accountants, as stated in our annual reports for the years ended December 31, 2017 and 2018.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors dated April 15, 2019.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary 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 December 31, 2018 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes is outstanding, copies of our published financial statements, if any, including our published financial statements set out in the section entitled "Index to Consolidated Financial Statements" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS1984473071	198447307

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application has been made to the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX- ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for definitive Notes, we will appoint and maintain a Paying Agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note 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.

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Note:

(1) The audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2017 and 2018, including the page numbers and page references set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

Independent Auditor's Report

Independent auditor's report to the shareholders of Central China Real Estate Limited
(Incorporated in the Cayman Islands with Limited Liability)

OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 132 to 282, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirments and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from the sale of properties recognised at a point in time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Revenue from the sale of properties recognised at a point in time for the year ended 31 December 2018 totalled RMB5,967 million, which accounted for 40% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised at a point in time when customer obtains the ability to direct the use of the property and substantially all of the remaining benefits of the property, unless at the time of entering into the contract, the sales and purchase agreement satisfied the criteria for recognising revenue over time by containing an enforceable right to payment for performance completed to date. Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities. We identified revenue from the sale of properties recognised at a point in time as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess revenue from the sale of properties recognised at a point in time included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • selecting property sale transactions, on a sample basis, from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications, notice of delivery and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; • assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as contract liabilities from pre-sale of properties; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Revenue from the sale of properties recognised over time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Revenue from the sale of properties recognised over time for the year ended 31 December 2018 totalled RMB7,662 million, which accounted for 52% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised over time when the Group's performance under a sales and purchase agreement does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. The Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using cost-to-cost method based on the proportion of the Group's actual costs incurred relative to the estimated total costs.	Our audit procedures to assess revenue from the sale of properties recognised over time included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • inspecting the key terms of sales and purchase agreements, on a sample basis, to assess right to payment based on the contract terms; • obtaining the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; • assessing the competence, experience and objectivity of the legal counsel engaged by the management; • selecting property sale transactions, on a sample basis, from the total property sales recorded for the year and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements and records of proceeds received, to assess whether the proceeds from pre-sales of property had been received in accordance with the respective sales and purchase agreements;

The Key Audit Matter	How the matter was addressed in our audit
Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities. We identified revenue from the sale of properties recognised over time as a key audit matter because revenue is one of the key performance indicators of the Group, is significant to the consolidated financial statements and involves significant accounting judgement and estimates to assess whether the Group has an enforceable right to payment for performance completed to date and to measure the progress towards complete satisfaction of the performance obligation, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	• comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • discussing with management, on a sample basis, the development progress of the projects and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group; • selecting samples from the total actual costs incurred up to the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable; • checking the mathematical accuracy of the calculation of cost allocation and completion progress of the property projects; • conducting site visits, on a sample basis, to property development projects for which revenue had been recognised in the current year and discussing with site management to observe the completion status; and • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Assessing the net realisable value of properties for sale

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(o).

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2018, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB50,199 million, which represented 49% of the Group's total assets as at that date. Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales). We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures implemented by local governments in various cities across Mainland China.	Our audit procedures to assess the net realisable value of properties held for sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments; • comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • conducting site visits, on a sample basis, to property development projects at various developing stages and discussing with site management to observe the completion status; • for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

The Key Audit Matter	How the matter was addressed in our audit
	• discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data; • checking the mathematical accuracy of the calculations made by management in arriving at the year-end assessment of net realisable values of properties for sale; • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Tse Wong Pui*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2019

Consolidated Income Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Revenue	*2*	**14,783,480**	13,879,207
Cost of sales		**(9,692,377)**	(10,598,430)
Gross profit		**5,091,103**	3,280,777
Other revenue	*3*	**234,854**	155,437
Other net income	*3*	**64,192**	258,358
Selling and marketing expenses		**(1,188,393)**	(697,149)
General and administrative expenses		**(1,552,404)**	(1,087,227)
Impairment losses on trade and other receivables, including contract assets		**(54,623)**	–
		2,594,729	1,910,196
Finance costs	*4(a)*	**(226,152)**	(408,051)
Share of profits less losses of associates	*15*	**(17,905)**	(4,422)
Share of profits less losses of joint ventures	*16*	**15,638**	198,943
Profit before change in fair value of investment property and income tax		**2,366,310**	1,696,666
Net valuation gain on investment property	*11*	**605,673**	243,400
Profit before taxation	*4*	**2,971,983**	1,940,066
Income tax	*5(a)*	**(1,556,860)**	(1,040,784)
Profit for the year		**1,415,123**	899,282
Attributable to:			
Equity shareholders of the Company		**1,154,262**	811,365
Non-controlling interests		**260,861**	87,917
Profit for the year		**1,415,123**	899,282
Earnings per share	*8*		
– Basic (RMB cents)		**44.30**	33.19
– Diluted (RMB cents)		**43.51**	32.95

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

(ii) The Group has aggregated the line item of "other operating income", which was presented separately in prior years, into "other revenue" due to materiality consideration and reclassified the comparative information to conform to change in presentation in the current period.

The notes on pages 141 to 282 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Profit for the year		**1,415,123**	899,282
Other comprehensive income for the year (after tax and reclassification adjustments)	*9*		
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)		**64,627**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on:			
– Translation of financial statements to the presentation currency		**(358,273)**	151,780
– Arising on a monetary item that forms part of net investment in foreign operations		**(338,350)**	243,334
Cash flow hedge: net movement in the hedging reserve		**529**	41,156
Other comprehensive income for the year		**(631,467)**	436,270
Total comprehensive income for the year		**783,656**	1,335,552
Attributable to:			
Equity shareholders of the Company		**524,555**	1,246,481
Non-controlling interests		**259,101**	89,071
Total comprehensive income for the year		**783,656**	1,335,552

Note:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 *(Note)* RMB'000
Non-current assets			
Property, plant and equipment	*10*	**4,808,494**	3,793,340
Investment property	*11*	**2,916,000**	1,297,000
Intangible assets	*12*	**518,008**	204,300
Biological assets	*13*	**203,946**	–
Interests in associates	*15*	**449,913**	536,549
Interests in joint ventures	*16*	**9,915,331**	9,026,377
Other financial assets	*17*	**651,865**	486,366
Deferred tax assets	*31(b)*	**248,318**	100,742
		19,711,875	15,444,674
Current assets			
Trading securities	*18*	**82,775**	97,105
Biological assets	*13*	**32,778**	–
Inventories and other contract costs	*19*	**50,315,979**	24,341,214
Contract assets	*20*	**137,691**	–
Trade and other receivables	*21*	**2,577,140**	1,664,421
Deposits and prepayments	*22*	**9,161,824**	6,554,002
Tax recoverable	*31(a)*	**2,160,457**	1,016,854
Restricted bank deposits	*23*	**3,579,597**	2,125,062
Cash and cash equivalents	*24*	**14,202,259**	11,283,853
		82,250,500	47,082,511
Current liabilities			
Bank loans	*25*	**(1,756,130)**	(450,118)
Other loans	*26*	**(593,150)**	(90,000)
Trade and other payables	*27*	**(28,924,187)**	(22,034,089)
Receipts in advance	*20*	**–**	(15,087,593)
Contract liabilities	*20*	**(40,829,626)**	–
Corporate bonds	*29*	**(2,996,760)**	–
Senior notes	*28*	**–**	(3,890,692)
Taxation payable	*31(a)*	**(833,264)**	(1,116,940)
		(75,933,117)	(42,669,432)
Net current assets		**6,317,383**	4,413,079
Total assets less current liabilities		**26,029,258**	19,857,753

Consolidated Statement of Financial Position (Continued)

at 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Non-current liabilities			
Bank loans	*25*	**(4,074,351)**	(3,437,460)
Other loans	*26*	**(240,030)**	(210,000)
Trade and other payables		**–**	(58,302)
Corporate bonds	*29*	**–**	(2,986,914)
Senior notes	*28*	**(10,190,829)**	(4,518,961)
Deferred tax liabilities	*31(b)*	**(1,254,264)**	(172,947)
		(15,759,474)	(11,384,584)
NET ASSETS		**10,269,784**	8,473,169
CAPITAL AND RESERVES			
Share capital	*32(a)*	**239,958**	216,916
Reserves		**8,597,132**	7,477,757
Total equity attributable to equity shareholders of the Company		**8,837,090**	7,694,673
Non-controlling interests		**1,432,694**	778,496
TOTAL EQUITY		**10,269,784**	8,473,169

Approved and authorised for issue by the board of directors on 27 March 2019

Wu Po Sum
Executive Director

Liu Weixing
Executive Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company												
	Note	Share capital *(Note 32(a)(i))* RMB'000	Share premium *(Note 32(b)(i))* RMB'000	Statutory reserve fund *(Note 32(b)(ii))* RMB'000	Other capital reserve *(Note 32(b)(iii))* RMB'000	Exchange reserve *(Note 32(b)(iv))* RMB'000	Share-based compensation reserve *(Note 32(b)(v))* RMB'000	Property revaluation reserve *(Note 32(b)(vi))* RMB'000	Hedging reserve *(Note 32(b)(vii))* RMB'000	Fair value reserve (non-recycling) *(Note 32(b)(viii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	–	3,087,376	7,694,673	778,496	8,473,169
Impact on initial application of HKFRS 15	*1(c)*	–	–	–	–	–	–	–	–	–	164,619	164,619	13,741	178,360
Impact on initial application of HKFRS 9	*1(c)*	–	–	–	–	–	–	–	–	24,752	(34,078)	(9,326)	–	(9,326)
Adjusted balance at 1 January 2018		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	24,752	3,217,917	7,849,966	792,237	8,642,203
Changes in equity for 2018:														
Profit for the year		–	–	–	–	–	–	–	–	–	1,154,262	1,154,262	260,861	1,415,123
Other comprehensive income		–	–	–	–	(694,863)	–	–	529	64,627	–	(629,707)	(1,760)	(631,467)
Total comprehensive income		–	–	–	–	(694,863)	–	–	529	64,627	1,154,262	524,555	259,101	783,656
Dividend approved in respect of the previous year	*32(c)*	–	–	–	–	–	–	–	–	–	(243,915)	(243,915)	–	(243,915)
Dividend declared in respect of the current year	*32(c)*	–	–	–	–	–	–	–	–	–	(165,000)	(165,000)	–	(165,000)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	(85,130)	(85,130)
Appropriation to statutory reserve fund	*32(b)(ii)*	–	–	244,681	–	–	–	–	–	–	(244,681)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	65,226	65,226
Issue of ordinary shares	*32(a)(i)*	23,042	809,114	–	–	–	–	–	–	–	–	832,156	–	832,156
Equity settled share-based payment		–	–	–	–	–	43,059	–	–	–	–	43,059	–	43,059
Acquisitions of additional interests in subsidiaries		–	–	–	(3,731)	–	–	–	–	–	–	(3,731)	(9,745)	(13,476)
Acquisitions of subsidiaries	*37(a)(i)*	–	–	–	–	–	–	–	–	–	–	–	411,005	411,005
		23,042	809,114	244,681	(3,731)	–	43,059	–	–	–	(653,596)	462,569	381,356	843,925
Balance at 31 December 2018		239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company											
		Share capital *(Note 32(a)(i))* RMB'000	Share premium *(Note 32(b)(i))* RMB'000	Statutory reserve fund *(Note 32(b)(ii))* RMB'000	Other capital reserve *(Note 32(b)(iii))* RMB'000	Exchange reserve *(Note 32(b)(iv))* RMB'000	Share-based compensation reserve *(Note 32(b)(v))* RMB'000	Property revaluation reserve *(Note 32(b)(vi))* RMB'000	Hedging reserve *(Note 32(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326
Changes in equity for 2017:													
Profit for the year		–	–	–	–	–	–	–	–	811,365	811,365	87,917	899,282
Other comprehensive income		–	–	–	–	393,960	–	–	41,156	–	435,116	1,154	436,270
Total comprehensive income		–	–	–	–	393,960	–	–	41,156	811,365	1,246,481	89,071	1,335,552
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(64,859)	(64,859)
Appropriation to statutory reserve fund		–	–	343,759	–	–	–	–	–	(343,759)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	99,600	99,600
Shares issued under share option scheme		594	14,467	–	–	–	(2,444)	–	–	–	12,617	–	12,617
Equity settled share-based payment		–	–	–	–	–	12,258	–	–	–	12,258	–	12,258
Disposal of subsidiaries	*37(b)(i)*	–	–	–	–	–	–	–	–	–	–	(24,802)	(24,802)
Disposal of partial interest in subsidiaries		–	–	–	448	–	–	–	–	–	448	8,509	8,957
Acquisitions of additional interests in subsidiaries		–	–	–	806	–	–	–	–	–	806	(10,806)	(10,000)
Acquisitions of subsidiaries	*37(a)(ii)*	–	–	–	–	–	–	–	–	–	–	106,520	106,520
		594	14,467	343,759	1,254	–	9,814	–	–	(343,759)	26,129	114,162	140,291
Balance at 31 December 2017 ***(Note)***		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	–	3,087,376	7,694,673	778,496	8,473,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	**2018** **RMB'000**	2017 *(Note)* RMB'000
Operating activities			
Profit before taxation		**2,971,983**	1,940,066
Adjustments for:			
Interest income	*3*	**(219,138)**	(91,309)
Depreciation and amortisation	*4(c)*	**268,459**	255,448
Equity settled share-based payment expenses	*4(b)*	**43,059**	12,258
Dividend income from equity securities	*3*	**(5,155)**	(13,776)
Net increase in fair value of investment properties	*11*	**(605,673)**	(243,400)
Net (gain)/loss on disposals of property, plant and equipment	*3*	**(19,383)**	412
Share of profits less losses of associates	*15*	**17,905**	4,422
Share of profits less losses of joint ventures	*16*	**(15,638)**	(198,943)
Finance costs	*4(a)*	**226,152**	408,051
Net gain on disposals of subsidiaries	*3*	**–**	(189,647)
Net gain on deemed disposal of a subsidiary	*3*	**–**	(280)
Net loss/(gain) on disposal of a joint venture	*3*	**17,292**	(12,577)
Net fair value gain on deemed disposals of joint ventures	*3*	**(91,432)**	–
Net exchange loss/(gain)	*3*	**37,652**	(59,362)
Operating profit before changes in working capital carried forward		**2,626,083**	1,811,363

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Operating profit before changes in working capital brought forward		**2,626,083**	1,811,363
Decrease in trading securities		**14,330**	1,081
Increase in biological assets		**(236,724)**	–
Increase in inventories and other contract costs		**(20,513,456)**	(5,109,370)
Increase in contract assets		**(137,691)**	–
Decrease/(increase) in trade and other receivables		**1,321,305**	(1,268,363)
Decrease/(increase) in deposits and prepayments		**(2,306,909)**	(5,324,714)
Increase in restricted bank deposits		**(1,429,837)**	(656,910)
Increase in trade and other payables		**3,852,505**	10,261,724
Decrease/(increase) in receipts in advance		**(15,087,593)**	7,331,682
Increase in contract liabilities		**38,128,806**	–
Cash generated from operations		**6,230,819**	7,046,493
PRC tax paid		**(2,127,876)**	(1,286,610)
Net cash generated from operating activities		**4,102,943**	5,759,883
Investing activities			
Payment for purchase of property, plant and equipment		**(922,228)**	(998,311)
Proceeds from disposals of property, plant and equipment		**21,395**	480
Payment for purchase of intangible asset		**–**	(106,039)
Net cash paid upon acquisitions of subsidiaries	*37(a)(i)*	**(507,948)**	(624,326)
Acquisitions of additional interests in subsidiaries		**(13,477)**	(10,000)
Net cash inflow upon disposals of subsidiaries	*37(b)(i)*	**–**	283,588
Net cash outflow upon deemed disposal of a subsidiary	*37(b)(ii)*	**–**	(903)
Net cash inflow upon disposal of partial interest in subsidiaries		**–**	8,957
Disposals of joint ventures		**52,846**	15,560
Investments in joint ventures		**(882,803)**	(124,694)
Advances to joint ventures		**(2,996,652)**	(2,650,790)
Repayment from joint ventures		**1,344,285**	52,417
Investment in associates		**(100,914)**	(120,000)
Advances to associates		**(46,141)**	(393,803)
Repayment from associates		**212,493**	–
Payment for investment in other financial assets		**–**	(300,000)
Proceeds from disposals of other financial assets		**–**	3,714
Dividend received from joint ventures		**385,905**	130,139
Dividend received from equity securities		**5,155**	13,776
Interest received		**210,427**	91,309
Net cash used in investing activities		**(3,237,657)**	(4,728,926)

The notes on pages 141 to 282 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
Financing activities			
Proceeds from new bank loans	*24(b)*	**2,629,500**	2,791,858
Repayment of bank loans	*24(b)*	**(1,201,671)**	(1,212,674)
Proceeds from other loans	*24(b)*	**653,180**	–
Repayment of other loans	*24(b)*	**(120,000)**	(90,000)
Net proceeds from issue of senior notes	*24(b)*	**4,967,851**	1,330,129
Repayment of redemption upon maturity senior notes	*24(b)*	**(4,110,979)**	(1,098,655)
Proceeds from shares issued under share option scheme		**–**	12,617
Issue of ordinary shares	*32(a)*	**832,156**	–
Interest paid	*24(b)*	**(1,195,384)**	(1,228,316)
Dividend paid		**(408,915)**	–
Dividend paid to non-controlling interests		**(85,130)**	(64,859)
Capital contribution from non-controlling interests		**65,225**	99,600
Net cash generated from financing activities		**2,025,833**	539,700
Net increase in cash and cash equivalents		**2,891,119**	1,570,657
Cash and cash equivalents at 1 January		**11,283,853**	9,776,310
Effect of foreign exchange rate changes		**27,287**	(63,114)
Cash and cash equivalents at 31 December		**14,202,259**	11,283,853

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation and functional and presentation currency

(i) The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand, while the Company's functional currency is the Hong Kong dollar ("HK$").

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 1(i));
- investments in debt and equity securities (see note 1(f)); and
- derivative financial instruments (see note 1(g)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation and functional and presentation currency (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(42,255)
– contract assets	(3,182)
Related tax	11,359
Net decrease in retained earnings at 1 January 2018	(34,078)
Fair value reserve (non-recycling)	
Recognition of fair value changes relating to equity securities which were measured at cost less impairment losses and are now measured at FVOCI (non-recycling) and increase in fair value reserve (non-recycling) at 1 January 2018	33,002
Related tax	(8,250)
Net decrease in retained earnings at 1 January 2018	24,752

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

a. Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
Financial assets carried at amortised cost				
Cash and cash equivalents	11,283,853	–	–	11,283,853
Trade and other receivables *(note (i))*	1,620,572	(42,542)	(42,255)	1,535,775
	12,904,425	(42,542)	(42,255)	12,819,628
Financial assets measured at FVOCI (non-recyclable)				
Equity securities *(note (ii))*	–	486,366	33,002	519,368
Financial assets classified as available-for-sale measured at cost less impairment losses under HKAS 39				
Equity securities *(note (ii))*	486,366	(486,366)	–	–
Financial assets carried at FVPL				
Trading securities *(note (iii))*	97,105	–	–	97,105
Other derivative assets *(note (iii))*	43,849	–	–	43,849
	140,954	–	–	140,954

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

a. Classification of financial assets and financial liabilities (Continued)

Notes:

(i) Trade and other receivables of RMB42,542,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 1(c)).

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investments in these investments at FVOCI (non-recycling), as these investments are held for strategic purposes.

(iii) Trading securities and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (g), (m)(i), (q) and (r).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 1(m)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

b. Credit losses (Continued)

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and other financial assets measured at amortised cost);
- contract assets as defined in HKFRS 15 (see note 1(p));
- debt securities measured at FVOCI (recycling);
- lease receivables; and
- financial guarantee contracts issued (see note 1(m)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 1(m)(i) and (ii).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Contract assets recognised on adoption of HKFRS 15	3,182
– Trade debtors and bills receivable	12,932
– Other debtors	29,323
Loss allowance at 1 January 2018 under HKFRS 9	45,437

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

c. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assess hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

For an explanation of how the Group applies hedge accounting, see note 1(h).

d. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held; and

  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

- All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
Retained earnings	
Earlier revenue and profit recognition for certain sales of properties	201,380
Capitalisation of sales commissions	35,489
Related tax	(74,288)
Net increase in share of profit in joint ventures resulted from application of HKFRS 15	15,779
Less: attributable to non-controlling interests	(13,741)
Net increase in retained earnings at 1 January 2018	164,619

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers. In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

a. Timing of revenue recognition (Continued)

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services (see note 1(y)). However, the timing of revenue recognition for sales of properties is affected as follows:

– Sales of properties: the Group's property development activities are carried out in Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, certain property pre-sale contracts meet the criteria for recognising revenue over time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Certain fully prepaid pre-sales of properties under development, when the properties under development have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, satisfy the criteria for category C for recognising revenue over time during the developing process, whereas previously the Group did not recognise revenue until the risks and rewards of ownership of the property were transferred to the customer. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss earlier under HKFRS 15 than under HKAS 18.

  For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

  As a result of this change in policy, the Group has made adjustments to opening balance at 1 January 2018 which increased retained earnings by RMB138,002,000, increased non-controlling interests by RMB13,741,000 increased deferred tax liabilities by RMB60,313,000, increased in investment in joint ventures by RMB15,779,000, decreased receipts in advance by RMB1,113,672,000, decreased inventories by RMB912,292,000 and decreased deferred tax assets by RMB5,103,000 as at 1 January 2018.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

b. Significant financing component (Continued)

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Advance payments are common in the Group's arrangement with its customers, when properties are marketed by the Group while the property is still under construction.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB205,154,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

c. Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts and increased other contract costs by RMB35,489,000, increased deferred tax liabilities by RMB8,872,000 and increased retained earnings by RMB26,617,000 at 1 January 2018.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

d. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(y)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(p)).

Previously, contract balances relating to sales of properties and provision of services were presented in the statement of financial position under "trade and other receivables" or "receipts in advance" respectively, and properties under development in respect of the such property sales which meet the situations for recognising revenue over time was included within inventory until such properties were delivered to the customers, and the risk and reward of ownership of revenue was recognised for the reasons explained in paragraph (a) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

(i) "Trade debtors and bills receivable" amounting to RMB42,542,000 relating to provision of services, which were previously included in trade and other receivables are now included under contract assets;

(ii) "Receipts in advance" amounting to RMB13,973,921,000 are now included under contract liabilities;

(iii) As explained in a. above, reclassification to opening balances have been made to contract liabilities by RMB1,113,672,000 from "Receipts in advance" related to sale of properties and decrease inventories (properties under development) by RMB912,292,000 in respect of the Group's properties sales which meet the situations for recognising revenue over time.

e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated income statement for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenue	14,783,480	19,165,066	(4,381,586)
Cost of sales	(9,692,377)	(13,372,934)	3,680,557
Gross profit	5,091,103	5,792,132	(701,029)
Selling and marketing expenses	(1,188,393)	(1,266,024)	77,631
Profit from operations	2,594,729	3,218,127	(623,398)
Share of profits less losses of associates	(17,905)	(20,598)	2,693
Share of profits less losses of joint ventures	15,638	138,702	(123,064)
Profit before taxation	2,971,983	3,715,752	(743,769)
Income tax	(1,556,860)	(1,876,128)	319,268
Profit for the year	1,415,123	1,839,623	(424,500)
Profit attributable to equity shareholders of the Company	1,154,262	1,588,450	(434,188)
Profit attributable to non-controlling interests	260,861	251,173	9,688
Earnings per share			
Basic (RMB cents)	44.30	60.96	(16.66)
Diluted (RMB cents)	43.51	59.88	(16.37)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of comprehensive income for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Total comprehensive income for the year	783,656	1,208,156	(424,500)
Total comprehensive income attributable to the equity shareholders of the Company	524,555	958,743	(434,188)
Total comprehensive income attributable to non-controlling interests	259,101	249,413	9,688

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Interests in joint ventures	9,915,331	10,022,615	(107,284)
Interests in associates	449,913	447,220	2,693
Deferred tax assets	248,318	235,731	12,587
Total non-current assets	19,711,875	19,803,879	(92,004)
Inventories and other contract costs	50,315,979	47,616,615	2,699,364
Contract assets	137,691	–	137,691
Trade and other receivables	2,577,140	2,714,831	(137,691)
Tax recoverable	2,160,457	2,074,964	85,493
Total current assets	82,250,500	79,465,643	2,784,857
Trade and other payables	(28,924,187)	(30,353,926)	1,429,739
Contract liabilities	(40,829,626)	–	(40,829,626)
Receipts in advance	–	(36,313,994)	36,313,994
Taxation payable	(833,264)	(1,860,957)	1,027,693
Total current liabilities	(75,933,117)	(73,874,917)	(2,058,200)
Net current assets	6,317,383	5,590,726	726,657
Total assets less current liabilities	26,029,258	25,394,605	634,653
Deferred tax liabilities	(1,254,264)	(373,471)	(880,793)
Total non-current liabilities	(15,759,474)	(14,878,681)	(880,793)
Net assets	10,269,784	10,515,924	(246,140)
Reserves	8,597,132	8,866,701	(269,569)
Total equity attributable to equity shareholders of the Company	8,837,090	9,106,659	(269,569)
Non-controlling interests	1,432,694	1,409,265	23,429
Total equity	10,269,784	10,515,924	(246,140)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 (note 24) impacted by the adoption of HKFRS 15:			
Profit before taxation	2,971,983	3,715,752	(743,769)
Increase in inventories and other contract costs	(20,513,456)	(17,814,092)	(2,699,364)
Decrease in trade and other receivables	1,321,305	1,183,614	137,691
Increase in contract assets	(137,691)	–	(137,691)
Increase in trade and other payables	3,852,505	5,298,024	(1,445,519)
(Decrease)/increase in receipts in advance	(15,087,593)	18,451,293	(33,538,886)
Increase in contract liabilities	38,128,806	–	38,128,806

The significant differences arise as a result of the changes in accounting policies described above.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(m)).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(y)(vi)).

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(y)(v).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Other investments in debt and equity securities (Continued)

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(m)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments was recognised in profit or loss in accordance with the policies set out in note 1(y)(v). When the investments were derecognised or impaired (see note 1(m)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

(h) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges). The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Cash flow hedges (Continued)

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(l).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(l)); and

- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion

- Furniture, fixtures and equipment 5 to 10 years

- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Property, plant and equipment (Continued)

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(m)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Licences 10 years

Both the period and method of amortisation are reviewed annually.

(l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or asset for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leased assets (Continued)

(i) Classification of assets leased to the Group (Continued)

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(i)) or properties for sale (see note 1(o)(i)).

(m) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in HKFRS 15 (see note 1(p)); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate; and

– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(y)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

  If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(y)(viii)).

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantees issued (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible asset; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

(n) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

(o) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

– Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Inventories and other contract costs (Continued)

(i) Inventories (Continued)

– Completed properties held for sale

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square metre basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(o)(i)), property, plant and equipment (see note 1(j)) or intangible assets (see note 1(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(y).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(y)).

(q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 1(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(aa)).

(u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

- the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of properties, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a property or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of properties

Sales of the Group's properties are recognised as follows:

– Sales of certain fully prepaid pre-sales of properties under development

For certain fully prepaid pre-sales of properties, the Group's performance under the sales and purchase agreement does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

– Sales of other properties

For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Advance payments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(p)).

If the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

(i) Sales of properties (Continued)

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under "receipts in advance" and no interest expense was accrued on payments received in advance. As a result of the change in accounting policy for accruing interest on payments in advance, adjustments have been made to opening balances as at 1 January 2018 (see note 1(c)(ii)).

(ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

(v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue and other income (Continued)

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are included in the statement of financial position under "trade and other payables" and is released to profit or loss over the expected useful life of the relevant asset.

(viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 1(m)(ii)).

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(bb) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service. Revenue of the Group for the period is analysed as follows:

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017 *(Note)*
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of HKFRS15		
Disaggregated by major products or service lines		
– Sales of properties	**13,629,185**	13,210,985
– Revenue from hotel operations	**284,628**	265,530
– Revenue from project management service	**675,266**	307,762
– Others	**47,479**	–
	14,636,558	13,784,277
Revenue from other sources		
– Rental income from investment properties	**106,669**	28,568
– Rental income from properties for sale	**40,253**	66,362
	146,922	94,930
	14,783,480	13,879,207

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	2018	2017 *(Note)*
	RMB'000	RMB'000
Point in time		
– Sales of properties	**5,967,104**	13,210,985
– Revenue from hotel operations	**284,628**	265,530
– Others	**47,479**	–
	6,299,211	13,476,515
Over time		
– Sales of properties	**7,662,081**	–
– Revenue from project management service	**675,266**	307,762
– Rental income from investment properties	**106,669**	28,568
– Rental income from properties for sale	**40,253**	66,362
	8,484,269	402,692
	14,783,480	13,879,207

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 1(c)).

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(ii) Revenue expected to be recognised in the future arising from sales of properties and project management service

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB57,867,866,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and project management service entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 1(y)(i)). The Group will recognise the expected revenue in future when or as the control is transferred or by measuring the progress towards complete satisfaction of the performance obligation, which is expected to occur over the next 12 to 36 months.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's project management service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(iii) Lease income

The Group leases out its investment properties and certain completed properties held for sale under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

2 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

(iii) Lease income (Continued)

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2018	2017
	RMB'000	RMB'000
Total future minimum lease income from:		
Investment properties:		
Within 1 year	**105,782**	24,767
After 1 year but within 5 years	**293,840**	86,843
After 5 years	**359,995**	47,444
	759,617	159,054
Properties held for sale:		
Within 1 year	**16,294**	119,230
After 1 year to 5 years	**40,026**	166,246
After 5 years	**32,083**	333,414
	88,403	618,890

For properties held for sale under operating leases, the directors confirm that the Group intends to sell the properties together with the respective leases.

(b) Segment reporting

(i) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(ii) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

3 OTHER REVENUE AND OTHER NET INCOME

	2018 RMB'000	2017 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**152,496**	58,753
Other interest income	**66,642**	32,556
Dividend income from equity securities	**5,155**	13,776
Government grants	**8,814**	1,725
Others	**1,747**	48,627
	234,854	155,437
Other net income		
Net realised and unrealised loss on trading securities	**(37,655)**	(1,081)
Inventory write-down *(note 19(a))*	**(20,271)**	(64,766)
Changes in fair value of biological assets less cost to sell *(note 13(a))*	**11,979**	–
Net gain/(loss) on disposals of property, plant and equipment	**19,383**	(412)
Net gain on disposals of subsidiaries *(notes 37(b)(i))*	**–**	189,647
Net gain on deemed disposal of a subsidiary *(notes 37(b)(ii))*	**–**	280
Net (loss)/gain on disposal of a joint venture	**(17,292)**	12,577
Net fair value gain on deemed disposals of joint ventures *(notes 16(a))*	**91,432**	–
Net exchange (loss)/gain	**(37,652)**	59,362
Others	**54,268**	62,751
	64,192	258,358

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2018 RMB'000	2017 RMB'000
(a) Finance costs		
Interest on bank loans and other borrowings *(note 24(b))*	**1,296,349**	1,083,562
Interest accrued on advance payments from customers *(note 20)*	**1,042,564**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**2,338,913**	1,083,562
Less: Borrowing costs capitalised into properties under development*	**(2,074,731)**	(846,043)
	264,182	237,519
Net change in fair value of derivatives		
– call options *(note 28)*	**(1,591)**	(12,242)
– foreign exchange rate swap contract *(note 28)*	**(5,990)**	108,549
– foreign exchange forward contracts *(note 21)*	**(30,449)**	–
– reclassification adjustment for cash flow hedge transferred to finance costs *(note 9(b))*	**–**	74,225
	(38,030)	170,532
	226,152	408,051

* The capitalisation rate used to capitalise interest on general borrowings in 2018 was 7.18% per annum (2017: 7.05% per annum).

4 PROFIT BEFORE TAXATION (Continued)

	2018	2017 (Note)
	RMB'000	RMB'000
(b) Staff costs		
Contributions to defined contribution retirement plan	**105,350**	68,849
Equity settled share-based payment expenses *(note 30)*	**43,059**	12,258
Salaries, wages and other benefits	**662,242**	507,363
	810,651	588,470

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

4 PROFIT BEFORE TAXATION (Continued)

	2018	2017 (Note)
	RMB'000	RMB'000
(c) Other items		
Amortisation *(note 12)*	**23,868**	21,290
Depreciation *(note 10)*	**244,591**	234,158
Impairment losses on trade and other receivables, including contract assets	**(54,623)**	–
Group auditor's remuneration		
– audit services	**4,646**	4,546
– review and other services	**2,850**	1,300
Local statutory auditors' remuneration		
– audit services	**3,393**	1,645
– review and other services	**752**	574
Cost of inventories *(note 19(a))*	**9,415,270**	10,385,586
Sponsorship fee for local football events	**298,245**	137,100
Operating lease charges in respect of properties	**26,481**	30,973
Rental income from investment properties less direct outgoing of RMB2,209,000 (2017: RMB5,000)	**(104,460)**	(28,563)
Rental income from properties for sale less direct outgoings of RMB7,925,000 (2017: RMB1,339,000)	**(32,328)**	(65,023)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2018 RMB'000	2017 RMB'000
Current tax *(note 31(a))*		
PRC Corporate Income Tax	**476,472**	554,960
PRC Land Appreciation Tax		
– Provision for the year	**213,496**	386,314
– Over-provision in prior years	**(22,528)**	(13,901)
Withholding tax	**48,400**	–
	715,840	927,373
Deferred tax *(note 31(b))*		
PRC Corporate Income Tax	**386,967**	113,411
PRC Land Appreciation Tax	**454,053**	–
	841,020	113,411
	1,556,860	1,040,784

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) *PRC Corporate Income Tax ("CIT")*
The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2017: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2017: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2017: 25%) on the estimated assessable profits for the year.

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 27 January 1995, 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, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018	2017
	RMB'000	RMB'000
Profit before taxation	**2,971,983**	1,940,066
Tax on profit before tax, calculated at 25% (2017: 25%)	**742,996**	485,017
Difference in tax rates for certain subsidiaries	**32,854**	68,069
Tax effect of non-taxable income	**(18,727)**	(76,333)
Tax effect of non-deductible expenses	**225,738**	194,374
Tax effect of unused tax losses not recognised	**60,916**	104,591
Utilisation of tax loss not recognised in prior years	**(19,083)**	(14,244)
Withholding tax	**48,400**	–
LAT	**667,549**	386,314
Over-provision of LAT in prior years	**(22,528)**	(13,901)
Tax effect of LAT	**(161,255)**	(93,103)
Income tax expense	**1,556,860**	1,040,784

6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

2018

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	4,272	–	–	–	4,272
Yan Yingchun (Resigned on 21 August 2018)	–	1,307	–	–	3,971	5,278
Liu Weixing	–	4,876	55	–	3,527	8,458
Wang Jun (Appointed on 21 August 2018)	–	3,460	20	–	5,960	9,440
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	84	–	–	–	–	84
Puah Tze Shyang	84	–	–	–	–	84
Wu Wallis (alias Li Hua)	–	219	11	–	–	230
Independent non-executive directors						
Cheung Shek Lun	202	–	–	–	–	202
Xin Luo Lin	202	–	–	–	–	202
Sun Yuyang (Appointed on 8 January 2018)	198	–	–	–	–	198
Chief executive						
Yuan Xujun	–	5,342	65	4,577	3,527	13,511
Total	770	19,476	151	4,577	16,985	41,959

6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2017

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	676	–	–	–	676
Yan Yingchun	–	997	–	–	1,316	2,313
Liu Weixing (Appointed on 24 March 2017)	–	6,360	51	514	2,633	9,558
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wu Wallis (alias Li Hua)	–	225	11	–	–	236
Independent non-executive directors						
Cheung Shek Lun	208	–	–	–	–	208
Xin Luo Lin	208	–	–	–	–	208
Muk Kin Yau (Resigned on 1 January 2018)	208	–	–	–	–	208
Chief executive						
Yuan Xujun (Appointed on 24 March 2017)	–	3,784	–	539	2,633	6,956
Chen Jianye (Resigned on 24 March 2017)	–	931	–	–	–	931
Total	798	12,973	62	1,053	6,582	21,468

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 30.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: one) are directors and one (2017: one) is CEO whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2017: three) individuals are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,643**	6,100
Discretionary bonuses	**21,205**	7,375
Share-based payments	**2,320**	1,141
Retirement scheme contributions	**74**	56
	26,242	14,672

The emoluments of these two (2017: three) individuals with the highest emoluments are within the following bands:

	2018	2017
HKD5,000,001 to HKD5,500,000	**–**	1
HKD5,500,001 to HKD6,000,000	**–**	1
HKD8,500,001 to HKD9,000,000	**–**	1
HKD13,500,001 to HKD14,000,000	**1**	–
HKD17,500,001 to HKD18,000,000	**1**	–

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000) and the weighted average of 2,605,807,674 ordinary shares (2017: 2,444,333,701 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018	2017
	'000	'000
Issued ordinary shares at 1 January	**2,444,334**	2,442,271
Effect of ordinary shares issued *(note 32(a))*	**161,474**	–
Effect of share options exercised *(note 30(g))*	**–**	2,063
Weighted average number of ordinary shares at 31 December	**2,605,808**	2,444,334

8 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000 and the weighted average number of ordinary shares of 2,652,760,163 shares (2017: 2,462,316,916 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2018	2017
	RMB'000	RMB'000
Profit attributable to equity shareholders (diluted)	**1,154,262**	811,365

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
	'000	'000
Weighted average number of ordinary shares at 31 December	**2,605,808**	2,444,334
Effect of deemed issue of shares under the Company's share option scheme	**46,952**	17,983
Weighted average number of ordinary shares (diluted) at 31 December	**2,652,760**	2,462,317

9 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	(358,273)	–	(358,273)	151,780	–	151,780
– arising on a monetary item that forms part of net investment in foreign operations	(338,350)	–	(338,350)	243,334	–	243,334
	(696,623)	–	(696,623)	395,114	–	395,114
Cash flow hedge: net movement in hedging reserve	529	–	529	41,156	–	41,156
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	86,169	(21,542)	64,627	–	–	–
Other comprehensive income	(609,925)	(21,542)	(631,467)	436,270	–	436,270

9 OTHER COMPREHENSIVE INCOME (Continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2018 RMB'000	2017 RMB'000
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	**529**	(33,069)
Reclassification adjustments for amounts transferred to finance costs	**–**	74,225
Net deferred tax credited to other comprehensive income	**–**	–
Net movement in the hedging reserve during the period recognised in other comprehensive income	**529**	41,156
Equity investments measured at FVOCI		
Changes in fair value recognised during the period	**86,169**	–
Net deferred tax debited to other comprehensive income	**(21,542)**	–
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	**64,627**	–

10 PROPERTY, PLANT AND EQUIPMENT

2018

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2017	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Additions	14,641	3,360	959,843	12,276	8,191	998,311
Disposals	–	(951)	–	(3,282)	(6,996)	(11,229)
Transfer	–	13,108	(16,515)	4,707	–	1,300
Acquisitions of subsidiaries *(note 37(a)(ii))*	–	5,900	–	2,477	2,373	10,750
Disposals of subsidiaries *(note 37(b)(i))*	–	–	–	(662)	(454)	(1,116)
Deemed disposal of a subsidiary *(note 37(b)(ii))*	–	–	–	(345)	–	(345)
At 31 December 2017	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
At 1 January 2018	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
Additions	–	3,258	879,273	28,057	11,640	922,228
Disposals	(435)	(1,086)	–	(3,347)	(2,139)	(7,007)
Transfer	–	356,415	(357,757)	52,492	–	51,150
Acquisitions of subsidiaries *(note 37(a)(i))*	–	278,844	5,113	7,260	1,527	292,744
At 31 December 2018	299,511	3,258,676	1,903,979	454,389	65,076	5,981,631
Accumulated depreciation and amortisation:						
At 1 January 2017	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Charge for the year	(6,557)	(143,519)	–	(78,532)	(5,550)	(234,158)
Written back on disposals	–	887	–	2,586	6,864	10,337
Acquisitions of subsidiaries *(note 37(a)(ii))*	–	(3,766)	–	(1,643)	(754)	(6,163)
Disposals of subsidiaries *(note 37(b)(i))*	–	–	–	252	358	610
Deemed disposal of a subsidiary *(note 37(b)(ii))*	–	–	–	241	–	241
At 31 December 2017	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018 (Continued)

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)
Charge for the year	(8,173)	(171,002)	–	(58,805)	(6,611)	(244,591)
Written back on disposals	71	69	–	3,069	1,786	4,995
Acquisitions of subsidiaries *(note 37(a)(i))*	–	–	–	(3,849)	(516)	(4,365)
At 31 December 2018	(56,411)	(715,723)	–	(357,071)	(43,932)	(1,173,137)
Net book value:						
At 31 December 2017	251,637	2,076,455	1,377,350	72,441	15,457	3,793,340
At 31 December 2018	243,100	2,542,953	1,903,979	97,318	21,144	4,808,494

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

In the PRC:	**2018 RMB'000**	2017 RMB'000
Long leases	**6,996**	7,231
Medium-term leases	**236,104**	244,406
	243,100	251,637

All the property, plant and equipment of the Group are located in the PRC.

As at 31 December 2018, certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in notes 25 and 26.

As at 31 December 2018, none of the Group's property, plant and equipment (2017: RMB160,050,000) was pledged as securities of a joint venture's loan.

11 INVESTMENT PROPERTY

	Total RMB'000
At 1 January 2017	575,870
Transfer from properties for sale	477,730
Change in fair value	243,400
At 31 December 2017	1,297,000
At 1 January 2018	**1,297,000**
Transfer from properties for sale	**1,013,327**
Change in fair value	**605,673**
At 31 December 2018	**2,916,000**

Properties held for sale of RMB1,013,327,000 (2017: RMB477,730,000) were transferred from "property for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB574,872,000 (2017: RMB215,274,000) had been recognised in the consolidated income statement.

As at 31 December 2018, certain of the Group's investment properties were pledged as securities of the Group's other loans. Details are set out in note 26.

11 INVESTMENT PROPERTY (Continued)

(a) The analysis of fair value of investment properties is set out as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– long leases	**262,100**	246,900
– medium-term leases	**2,653,900**	1,050,100
	2,916,000	1,297,000

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

11 INVESTMENT PROPERTY (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	**2,916,000**	**–**	**–**	**2,916,000**

	Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	1,297,000	–	–	1,297,000

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018 and 2017. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

11 INVESTMENT PROPERTY (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties in the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.42 to 8.90 (2017: 0.42 to 8.51)	3.12 (2017: 3.09)
		Capitalisation rates	4.0% to 7.0% (2017: 4.5% to 7.0%)	5.95% (2017: 5.36%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 11.

Fair value adjustment of investment property is recognised in the line item "net valuation gain on investment property" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

12 INTANGIBLE ASSETS

	Licences RMB'000
Cost:	
At 1 January 2017	150,000
Addition during the year	94,340
At 31 December 2017	244,340
At 1 January 2018	244,340
Addition	337,575
At 31 December 2018	581,915
Accumulated amortisation:	
At 1 January 2017	(18,750)
Charge for the year	(21,290)
At 31 December 2017	(40,040)
At 1 January 2018	(40,040)
Charge for the year	(23,867)
At 31 December 2018	(63,907)
Net book value:	
At 31 December 2018	518,008
At 31 December 2017	204,300

The Group's intangible assets represent usage fee of trademark licences and copyright licences for externally developed intellectual properties including scene design and drama works, which are still under development and expected to be completed in 2020.

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

13 BIOLOGICAL ASSETS

(a) Reconciliation of carrying amount

The Group cultivates certain agricultural plants, mainly including landscape flowers, seedlings and trees, which are sold to customers after harvested. These plants are generally harvested between 6 to 60 months after plantation.

	Plants RMB'000
At 1 January 2018	–
Transfer from Inventory	159,311
Addition due to purchases	87,539
Decrease due to sales	(22,105)
Change in fair value less cost to sell	11,979
At 31 December 2018	236,724
Representing:	
Non-current	203,946
current	32,778
	236,724

(b) Measurement of fair value

(i) Fair value hierarchy

The fair value measurements of the Group's biological assets have been categorised as Level 2 fair values based on observable market sales data.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's biological assets is determined using market comparison approach by reference to recent sales price of comparable plants with market data which is publicly available.

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	55%	Property development	Limited liability company
Anyang Central China Real Estate Company Limited*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Anyang Cheer World Management and Consulting Services Co. Ltd*	Henan, the PRC	RMB100,000,000	–	55%	Management consulting service	Limited liability company
Artstar Investments Limited	The British Virgin Islands and Hong Kong	US$10,000	–	95%	Investments holding	Private company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB171,060,000	–	100%	Hotel operation	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB598,120,000	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Business service	Limited liability company
Central China Properties Development Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000 and RMB3,000,000,000 corporate bonds with interest bearing at 6% due in 2021 *(note 29)*	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US$10,000	–	100%	Investments holding	Private company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate Investments Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Changge City Yicheng Real Estate Development Co.,Ltd. *	Henan, the PRC	RMB16,000,000	–	64%	Property development	Limited liability company
Changge Jianzhi Real Estate Development Company Limited *	Henan, the PRC	RMB16,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Country Star Holdings Limited	Hong Kong	HK$1	–	95%	Investments holding	Private company
Dengfeng Cheer World Properties Co., Ltd*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Fugou Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	99%	Property development	Limited liability company
Gushi Jianhe Properties Co. Ltd*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Hebi CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investment	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Property development	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Modern Agriculture Investments Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investments	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Central China Realistic Performance Cultural Development Co., Ltd*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Central China Shihefu Real Estate Company Limited*	Henan, the PRC	RMB23,865,000	–	51%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Union Real Estate Company Limited*	Henan, the PRC	RMB960,000,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Jiaheng Properties Co., Ltd. *	Henan, the PRC	RMB30,000,000	–	55%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB735,180,000	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuanda Company Limited*	Henan, the PRC	RMB620,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Huixian Zhiteng Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiaozuo Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Jiaozuo Shihefu Properties Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	99%	Property development	Limited liability company
Jiyuan Jianteng Real Estate Development Company Limited*	Henan, the PRC	RMB50,000,000	–	78%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Dingju Real Estate Company Limited*	Henan, the PRC	RMB50,000	–	100%	Property development	Limited liability company
Kaifeng Jiandong Properties Co., Ltd*	Henan, the PRC	RMB153,000,000	–	100%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	95%	Property development	Limited liability company
Luoyang Guotai Meijule Properties Co., Ltd.* ("Luoyang Guotai Meijule")	Henan, the PRC	RMB100,000,000	–	61% (2017: 34%)	Property development	Limited liability company
Luoyang Liye Real Estate Development Company Limited* ("Luoyang Liye")	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Luoyang Yuanwang Real Estate Company Limited*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Luoyang Zunfu Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Luyi Mingdao City Investment Construction Company Limited*	Henan, the PRC	RMB30,000,000	–	41%	Property development	Limited liability company
Nanyang Hesheng Properties Co. Ltd*	Henan, the PRC	RMB840,000	–	51%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Pingdingshan Jingde Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Pingyu Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Precise Wish Limited	Hong Kong	HK$1	–	100%	Investments holding	Private company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Puyang Cheer World Industrial Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Puyang Jianye City Development Company Limited*	Henan, the PRC	RMB820,000,000	–	100%	Property development	Limited liability company
Qinyang City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Runan Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Ruzhou City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Limited liability company
Sanmenxia Forest Peninsuls Zhiye Company Limited*	Henan, the PRC	RMB48,000,000	–	59%	Property development	Limited liability company
Sanmenxia Shihe Property Co., Ltd*	Henan, the PRC	RMB50,000,000	–	99%	Property development	Wholly owned foreign enterprise
Sanmenxia Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Hongda Enterprises Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100% (2017: 80%)	Property development	Limited liability company
Shangqiu Jianshang Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shangqiu Jianxing Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	70%	Property development	Limited liability company
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Jinshengyuan Industrial Co. Ltd*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Shangqiu Xindu Properties Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shenqiu County Cheer World Properties Co., Ltd*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Suiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Taikang Jianzi Real Estate development Company Limited*	Henan, the PRC	RMB15,300,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Tengye Real Estate (Xiangcheng) Company Limited*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Universal Food City Development (Henan) Co., Ltd*	Henan, the PRC	RMB353,200,000	–	100%	Property development	Limited liability company
Xiangcheng City Cheer World Properties Co., Ltd*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Xihua Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB18,515,000	–	51%	Property development	Limited liability company
Xincai Jiandong City Construction Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang xingui Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	72%	Property development	Foreign-invested enterprise
Xuchang Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company
Xuchang Jianteng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xuchang One city Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Yanling CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Yanling Central China Real Estate company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	90%	Property development	Limited liability company
Yuzhou Cheer World Construction Construction Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Ansheng Geological Culture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Gemstone design, sale, and consulting service	Limited liability company
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	100% (2017: 66.67%)	Property development	Limited liability company
Zhengzhou Dengcao Group Tianzhong Daguanyuan Company Limited* ("Zhengzhou Dengcao")	Henan, the PRC	RMB30,000,000	–	60%	Property development	Limited liability company
Zhengzhou Fengtai Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhengzhou Haoling Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	100%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Lvyuan Real Estate Company Limited*	Henan, the PRC	RMB70,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhoukou Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian City Chuncheng Properties Co.,Ltd*	Henan, the PRC	RMB20,400,000	–	31%	Property development	Limited liability company
Zhumadian Jianheng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company

Note: The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

* KPMG are not statutory auditors of these subsidiaries.

14 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to three subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial statements are as below:

	Luoyang Liye		Luoyang Guotai Meijule[#]	Zhengzhou Dengcao[#]
	2018	2017	**2018**	**2018**
	RMB'000	RMB'000	**RMB'000**	**RMB'000**
NCI percentage	**49%**	49%	**39%**	**40%**
Current assets	**751,265**	1,309,374	**1,675,827**	**553,886**
Non-current assets	**242**	365	**8,552**	**4,398**
Current liabilities	**(310,996)**	(1,201,914)	**(1,394,564)**	**(315,464)**
Non-current liabilities	**–**	–	**–**	**–**
Net assets	**440,511**	107,825	**289,815**	**242,820**
Carrying amount of NCI	**215,850**	52,834	**113,028**	**97,128**
Revenue	**1,264,309**	808,331	**83,279**	**–**
Profit for the year	**332,687**	107,548	**12,255**	**(3,819)**
Total comprehensive income	**332,687**	107,548	**12,255**	**(3,819)**
Profit allocated to NCI	**163,017**	52,699	**4,779**	**(1,528)**
Dividend paid to NCI	**–**	–	**–**	**–**
Cash flows from operating activities	**1,957**	107,381	**365,376**	**138,574**
Cash flows from investing activities	**(15)**	134	**(25)**	**–**
Cash flows from financing activities	**–**	(49,000)	**(199,755)**	**(13,100)**

[#] *These subsidiaries were acquired by the Group during the year ended 31 December 2018.*

15 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**202,462**	122,746
Amounts due from associates	**247,451**	413,803
	449,913	536,549

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

The following list contains the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest Held by the Company	 Held by a subsidiary	Principal activities	Legal form
Zhengzhou Financial Island Construction & Development Group Co., Ltd. ("Zhengzhou Financial Island")	Henan, the PRC	RMB600,000,000	–	20%	Property development	Limited liability company

Note: The English name of the particulars of the associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

The above associate is accounted for using the equity method in the consolidated financial statements.

15 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Zhengzhou Financial Island	**2018**	2017
	RMB'000	RMB'000
Gross amounts of the associate's		
Current assets	**3,562,626**	2,213,223
Non-current assets	**2,475**	1,239
Current liabilities	**(1,808,092)**	(1,620,386)
Non-current liabilities	**(1,214,500)**	–
Equity	**542,509**	594,076
Revenue	**1,232**	–
Loss from continuing operations	**(51,567)**	(5,925)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(51,567)**	(5,925)
Dividend received from the associate	**–**	–
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**542,509**	594,076
Group's effective interest	**20%**	20%
Group's share of net assets of the associate	**108,502**	118,815
Amount due from the associate	**183,585**	329,470
Carrying amount in the consolidated financial statements	**292,087**	448,285

15 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
– Aggregate share of net assets of individually immaterial associates	**93,960**	3,931
– Aggregate amount due from individually immaterial associates	**63,866**	84,333
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**157,826**	88,264
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(7,592)**	(3,237)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(7,592)**	(3,237)

16 INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**2,879,212**	3,642,625
Amounts due from joint ventures	**7,036,119**	5,383,752
	9,915,331	9,026,377

Amounts due from joint ventures included amount of RMB607,378,000 (2017: RMB1,912,713,000) which are unsecured, interest bearing at 10%-12% per annum and have no fixed terms of payment. The remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of payment. They are expected to be recovered after more than one year.

As at 31 December 2018, the Group's interest in a joint venture with carrying amount of RMB66,858,000 (2017: RMB53,197,000) was pledged against the Group's bank loan of RMB517,000,000 (2017: RMB546,000,000) (see note 25).

16 INTERESTS IN JOINT VENTURES (Continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Hengxin Property Company Limited ("CCRE Hengxin")	Henan, the PRC	RMB220,000,000	–	28.57%(ii)	Property development	Limited company
Henan Central China Taihong Real Estate Limited	Henan, the PRC	RMB231,020,000	–	51.00%	Property development	Limited company
Henan Cental China Fuju Investment Company Limited	Henan, the PRC	RMB100,000,000	–	45.00%	Property development	Limited company
Henan Central China Haima Property Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Henan Longyu Real Estate Company Limited	Henan, the PRC	RMB77,000,000	–	60.00%	Property development	Limited company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Xinyang Tianheng Real Estate Company Limited	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited company
Zhengzhou Jianye Eighteen Cities Zhiye Company Limited	Henan, the PRC	RMB200,000,000	–	50.00%	Property development	Limited company
Zhengzhou Anyong Properties Limited	Henan, the PRC	RMB20,000,000	–	80.00%	Property development	Limited company
Zhengzhou Renji Real Estate Development Co., Ltd.	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Luoyang Zhuzong Yutai Real Estate Development Co., Ltd.	Henan, the PRC	RMB50,000,000	–	40.00%	Property development	Limited company

Notes:

(i) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

(ii) Pursuant to the investment agreement between the Group and Bridge Trust Co., Ltd., the Group paid up 54.55% of CCRE Hengxin's registered capital while the Group's effective interest in CCRE Hengxin is 28.57%, which was determined by the percentage of total investment capital paid by both joint ventures.

The above joint ventures strengthen the Group's property development business in Henan, the PRC. All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

(a) Deemed disposal of joint ventures in step acquisitions

During the year ended 31 December 2018, the Group entered into equity transfer agreements with respective joint venturers to acquire additional equity interest. Upon completion of the above transactions, these joint ventures became subsidiaries of the Group (see note 37(a)(i)).

The net gain of RMB91,432,000 on deemed disposals of these joint ventures was recognised in profit or loss during the year, by remeasuring the Group's previously held equity interests with carrying amount of RMB1,202,545,000 in these entities at the acquisition date fair value.

16 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Henan Central China Haima Real Estate Company Limited		CCRE Hengxin		Henan Central China Taihong Real Estate Limited		Henan Central China Fuju Investment Company Limited		Kaifeng Central China Real Estate Company Limited		Xinyang Tianheng Real Estate Company Limited		Henan Longyu Real Estate Company Limited		Zhengzhou Jianye Eighteen Cities Zhiye Company Limited		Zhengzhou Anyong Properties Limited		Zhengzhou Renji Real Estate Development Co., Ltd.		Luoyang Zhuzong Yutai Real Estate Development Co., Ltd.	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Gross amounts of joint ventures																						
Current assets	**191,339**	566,807	**6,293,999**	5,024,892	**5,117,000**	4,862,009	**9,649,934**	9,879,503	**1,386,853**	1,529,925	**674,516**	632,227	**1,044,037**	1,983,035	**2,734,533**	2,725,422	**1,613,619**	1,242,240	**851,507**	309,286	**2,429,897**	1,541,458
Non-current assets	**2,422**	79	**91,625**	84,980	**136,689**	22,506	**104,986**	166,846	**353,125**	176,051	**286**	1,923	**132**	1,898	**23**	58	**544**	7,874	**86,607**	183,818	**516**	376
Current liabilities	**(67,678)**	(473,371)	**(4,110,663)**	(2,526,196)	**(4,192,717)**	(4,135,416)	**(7,241,830)**	(7,754,349)	**(501,833)**	(425,633)	**(620,614)**	(574,131)	**(423,758)**	(743,046)	**(1,286,070)**	(1,274,431)	**(1,105,954)**	(724,827)	**(922,371)**	(413,343)	**(1,128,418)**	(1,107,010)
Non-current liabilities	**-**	-	**(1,688,900)**	(1,970,000)	**(745,551)**	(476,300)	**(2,513,090)**	(2,292,000)	**-**	-	**-**	-	**(369,500)**	(878,500)	**(1,265,898)**	(1,265,898)	**-**	-	**-**	-	**(90,000)**	-
Equity	**126,083**	93,515	**586,061**	613,676	**315,421**	272,799	**-**	-	**1,238,145**	1,280,243	**54,188**	60,019	**250,911**	363,387	**182,588**	185,151	**508,209**	525,287	**15,743**	79,761	**1,211,995**	434,824
Included in the above assets and liabilities:																						
Cash and cash equivalents	**8,496**	50,594	**40,109**	46,848	**134,679**	229,964	**603,711**	447,940	**7,056**	3,092	**1,762**	3,770	**32,216**	11,267	**1,707**	4,241	**275**	12,675	**5,199**	4,032	**451,599**	285,622
Current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**(247,400)**	-	**(80,800)**	(530,000)	**-**	-	**-**	-	**-**	-	**-**	(8,940)	**-**	-	**-**	-	**-**	-	**-**	-
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	-	**(1,688,900)**	(950,000)	**(745,551)**	(476,300)	**(2,513,090)**	(2,292,000)	**-**	-	**-**	-	**(369,500)**	(878,500)	**(1,265,898)**	(1,265,898)	**-**	-	**-**	-	**(90,000)**	-
Revenue	**218,373**	2,573,184	**272,043**	1,868,095	**2,268,185**	460,781	**2,245,543**	-	**15,172**	125,550	**-**	-	**217,108**	-	**-**	-	**-**	-	**-**	-	**694,299**	55,998
(Loss)/profit from continuing operations	**115,568**	168,138	**(25,334)**	163,325	**302,622**	120,749	**(27,867)**	-	**(42,097)**	10,487	**(5,832)**	(4,174)	**(112,477)**	(40,267)	**(2,564)**	(2,646)	**(17,078)**	(3,596)	**(71,525)**	(20,238)	**72,438**	(65,178)
Post-tax profit or loss from discontinued operations	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total comprehensive income	**115,568**	168,138	**(25,334)**	163,325	**302,622**	120,749	**(27,867)**	-	**(42,097)**	10,487	**(5,832)**	(4,174)	**(112,477)**	(40,267)	**(2,564)**	(2,646)	**(17,078)**	(3,596)	**(71,525)**	(20,238)	**72,438**	(65,178)
Dividend received from the joint ventures	**49,800**	77,400	**-**	-	**132,600**	45,900	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Included in the above (loss)/profit:																						
Depreciation and amortisation	**(63)**	(90)	**(214)**	(177)	**(1,579)**	(1,644)	**(830)**	(230)	**(4,325)**	(2,692)	**(75)**	(39)	**(235)**	(60)	**(34)**	-	**(178)**	-	**(26)**	(8)	**(136)**	(188)
Interest income	**2,534**	6,145	**1,314**	1,704	**4,886**	18,069	**2,927**	4,766	**20**	78	**6**	4	**411**	1,510	**12**	85	**31**	-	**15**	178	**1,662**	13,190
Interest expense	**-**	-	**(213,435)**	-	**-**	-	**(38)**	-	**-**	-	**-**	-	**(75,604)**	-	**-**	-	**(11,611)**	-	**(50,017)**	(26,467)	**(15,451)**	(51,533)
Income tax expense	**(24,066)**	(61,308)	**(9,013)**	(69,176)	**(99,859)**	(49,736)	**(99,336)**	-	**(102)**	22,606	**1,592**	927	**(1,707)**	-	**-**	-	**(1,586)**	-	**12,024**	-	**(25,189)**	(32,214)
Reconciled to the Group's interest in joint ventures																						
Gross amounts of net assets of the joint ventures	**126,083**	93,515	**586,061**	613,676	**315,421**	272,799	**-**	-	**1,238,145**	1,280,243	**54,188**	60,019	**250,911**	363,387	**182,588**	185,151	**508,209**	525,287	**15,743**	79,761	**1,211,995**	434,824
Group's effective interest	**60.00%**	60.00%	**28.57%**	28.57%	**51.00%**	51.00%	**45.00%**	45.00%	**60.00%**	60.00%	**50.31%**	50.31%	**60.00%**	60.00%	**50.00%**	50.00%	**80.00%**	80.00%	**60.00%**	60.00%	**40.00%**	40.00%
Group's share of net assets of the joint ventures	**75,650**	56,109	**167,438**	175,327	**160,865**	139,127	**-**	-	**742,887**	768,146	**27,262**	30,196	**150,546**	218,032	**91,294**	92,576	**406,567**	420,230	**9,446**	47,857	**484,798**	173,929
Amount due from joint ventures	**10**	16	**435,239**	15,664	**-**	-	**1,481,498**	2,329,824	**361,512**	222,733	**352,222**	310,831	**176,090**	15,375	**1,273,909**	1,273,909	**1,085,715**	474,028	**607,378**	412,969	**14**	-
Carrying amount in the consolidated financial statements	**75,660**	56,125	**602,677**	190,991	**160,865**	139,127	**1,481,498**	2,329,824	**1,104,399**	990,879	**379,484**	341,027	**326,636**	233,407	**1,365,203**	1,366,485	**1,492,282**	894,258	**616,824**	460,826	**484,812**	173,929

16 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2018 **RMB'000**	2017 RMB'000
– Aggregate share of net assets of individually immaterial joint ventures	**562,459**	1,521,096
– Aggregate amount due from individually immaterial joint ventures	**1,262,532**	328,403
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,824,991**	1,849,499
Aggregate amounts of the Group's share of those joint ventures'		
(Loss)/profit from continuing operations	**(63,700)**	52,198
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(63,700)**	52,198

17 OTHER FINANCIAL ASSETS

	Notes	**31 December 2018 RMB'000**	**1 January 2018 RMB'000**	31 December 2017 RMB'000
Equity securities designated at FVOCI (non-recycling)	*(i)*			
– Equity securities		**602,333**	**519,368**	–
Available-for-sale financial assets	*(ii)*			
– Equity securities, at cost		**–**	**–**	486,366
Financial assets measured amortised cost		**49,532**	**–**	–
		651,865	**519,368**	486,366

Notes:

(i) The equity securities mainly represent equity investments in various investment fund companies and investment holding companies in which the Group does not have significant influence. The Group designated its investment in these entities at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB3,000,000 were received on these investments during the year (2017: nil).

(ii) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

18 TRADING SECURITIES

	2018 RMB'000	2017 RMB'000
Listed equity securities at FVPL *(note 33(f)(i))*		
– in Hong Kong	**82,775**	97,105

19 INVENTORIES AND OTHER CONTRACT COSTS

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Inventories				
– Properties held for future development and under development for sale	*(ii)*	**46,628,504**	**19,078,086**	19,785,224
– Completed properties held for sale		**3,570,986**	**4,555,990**	4,555,990
– Others		**3,369**	**–**	–
		50,202,859	**23,634,076**	24,341,214
Other contract costs	*(iv)*	**113,120**	**35,489**	–
		50,315,979	**23,669,565**	24,341,214

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to recognise revenue arising from certain fully prepaid sales of properties under development. This has resulted in a decrease in the amount of the Group's properties under development for sale and an increase in contract assets as at that date (see notes 1(c)(ii) and 20).

(iii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to accrue interest on certain advance payments received from customers. This interest was eligible for capitalisation into the carrying value of the Group's properties under development for sale, which has resulted in an increase in that balance as at that date (see note 1(c)(ii)).

(iv) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to capitalise certain sales commissions which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see note 1(c)(ii)).

19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

(a) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2018	2017
	RMB'000	RMB'000
Carrying amount of inventories sold	**9,415,270**	10,385,586
Write down of inventories	**21,180**	64,766
Reversal of write-down of inventories	**(909)**	–
	9,435,541	10,450,352

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of inventories as a result of a change in market price.

The amount of properties for future development and under development expected to be recovered after more than one year is RMB30,615,760,000 (2017: RMB14,700,271,000). All of the other inventories are expected to be recovered within one year.

(b) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2018	2017
	RMB'000	RMB'000
In the PRC		
– long leases	**18,270,173**	11,370,264
– medium-term leases	**4,567,544**	2,535,776
	22,837,717	13,906,040

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank loans and other loans. Details are set out in notes 25 and 26.

At 31 December 2018, the Group's properties for sale of RMB449,954,000 (2017: Nil) were pledged as securities for a joint venture's loan.

19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

(d) Contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling and marketing expense" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB29,112,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commissions were recognised as "selling and marketing expense" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see note 1(c)(ii)).

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB63,884,000.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Contract assets				
Project management service		**137,691**	**39,360**	–
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(note 21)*		**42,891**	**26,880**	

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of HKFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional expected credit losses (ECLs) on contract assets. This has resulted in a decrease in this balance as at that date (see note 1(c)(i)).

(iii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified from "Trade debtors and bills receivable" under "Trade and other receivables" to contract assets (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– Project management service
  The Group's project management service include payment schedules which typically require a 30% deposit up front and stage payments over the project management service period once milestones are reached.

All of contract assets are expected to be recovered within one year (2017: except for RMB6,335,000 which were expected to be recovered more than one year and included under "Trade and other receivables").

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
Contract liabilities				
Property development – advance payments received	*(ii), (iii)*	**40,470,842**	**14,011,377**	14,919,895
Project management service		**358,784**	**167,698**	167,698
		40,829,626	**14,179,075**	15,087,593

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Receipts in advance" to contract liabilities (see note 1(c)(ii)).

(iii) Upon the adoption of HKFRS 15, an opening adjustment as at 1 January 2018 was made to accrue interest on the advance payments received from customers (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Property development
For certain fully prepaid pre-sales of properties, the Group receives 100% of the contract value as advance payments from customers when they sign the sale and purchase agreement. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period until the complete satisfaction of the performance obligation.

20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(b) Contract liabilities (Continued)

– Property development (Continued)

For other sales of properties, the Group receives no less than 20% of the contract value as advance payments from customers when they sign the sale and purchase agreement and the rest of the consideration, if any, is typically received after relevant banks' approval of customers' mortgage loans. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the property is transferred to the customer at a point in time.

– Project management service

When the Group receives a deposit before the project management service commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 30% deposit up front and stage payments over the project management service period once milestones are reached.

Movements in contract liabilities

	2018 RMB'000
Balance at 1 January	14,179,075
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,286,526)
Increase in contract liabilities as a result of billing in advance of project management service	738,811
Increase in contract liabilities as a result of receiving advance payments during the year in respect of properties still under construction as at 31 December 2018	30,155,702
Increase in contract liabilities as a result of accruing interest expense on advances	1,042,564
Balance at 31 December	40,829,626

The amount of billings in advance of performance and advance payments received expected to be recognised as income after more than one year is RMB21,627,176,000 (2017: RMB8,892,549,000 which were included under "receipts in advance"). All of the other contract liabilities are expected to be recognised as income within one year.

21 TRADE AND OTHER RECEIVABLES

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Trade debtors and bills receivable, net of loss allowance	*(i),(ii)*	**43,984**	**26,880**	82,354
Other debtors		**760,281**	**896,734**	912,098
Amounts due from joint ventures		**69,092**	**35,154**	35,486
Amounts due from entities controlled by the ultimate controlling shareholder		**15,400**	**15**	15
Amounts due from non-controlling interests		**1,593,499**	**576,992**	590,619
Financial assets measured at amortised cost		**2,482,256**	**1,535,775**	1,620,572
Derivative financial instruments:				
– redemption call options embedded in senior notes *(note 28)*		**62,533**	**43,849**	43,849
– foreign exchange forward contracts (b)		**31,799**	**–**	–
– interest rate swap contracts		**552**	**–**	–
		94,884	**43,849**	43,849
		2,577,140	**1,579,624**	1,664,421

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 1(c)(i)).

(ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" and disclosed in note 20 (see note 1(c)(ii)).

Amounts due from joint ventures and non-controlling interests are unsecured, interest-free and has no fixed terms of repayment.

Amount due from entities controlled by the ultimate controlling shareholder mainly represented amount receivable due from Central China New Life Service Company Limited 河南建業新生活服務有限公司("Central China New Life") together with its subsidiaries, which are interest free, unsecured and to be settled according to the contract terms.

The amount of derivative financial instruments expected to be recovered or recognised as expense after more than one year is RMB75,390,000 (2017: RMB43,525,000). All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

21 TRADE AND OTHER RECEIVABLES (Continued)

(a) Aging analysis

The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 month	**16,241**	32,853
1 to 3 months	**5,764**	2,593
3 to 6 months	**1,073**	6,199
6 to 12 months	**7,910**	24,131
Over 1 year	**12,996**	16,578
	43,984	82,354

Trade debtors and bills receivable are due upon the invoicing.

Further details of the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 33(b).

(b) Foreign exchange forward contracts

In 2018, the Company entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The aggregate notional principal amounts of the foreign exchange forward contracts are US$350 million and the contracts will mature in 2019 and 2020 respectively. The foreign exchange forward contracts are accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy.

22 DEPOSITS AND PREPAYMENTS

As at 31 December 2018, the balance included deposits and prepayments for leasehold land of RMB4,247,968,000 (2017: RMB3,829,342,000).

23 RESTRICTED BANK DEPOSITS

	2018	2017
	RMB'000	RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	**1,837,835**	1,634,073
– bills payable	**1,741,762**	490,989
	3,579,597	2,125,062

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2018	2017
	RMB'000	RMB'000
Deposits with banks and other financial institutions	**17,924**	581,884
Cash at bank and on hand	**14,184,335**	10,701,969
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated cash flow statement	**14,202,259**	11,283,853

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Other loans	Senior notes	Corporate bonds	Options embedded in senior notes	Foreign exchange swap contracts	Foreign exchange forward contracts	Interest rate swap held as cash flow hedging instrument	Other accruals	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 25	*Note 26*	*Note 28*	*Note 29*	*Note 21*	*Note 27*	*Note 21*			
At 1 January 2018	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	–	–	440,676	16,060,137
Changes from financing cash flows										
Proceeds from new bank loans	2,629,500	–	–	–	–	–	–	–	–	2,629,500
Repayment of bank loans	(1,201,671)	–	–	–	–	–	–	–	–	(1,201,671)
Proceeds from other loans	–	653,180	–	–	–	–	–	–	–	653,180
Repayment of other loans	–	(120,000)	–	–	–	–	–	–	–	(120,000)
Proceeds from new senior notes	–	–	4,967,851	–	–	–	–	–	–	4,967,851
Repayment of redemption upon maturity senior notes	–	–	(4,110,979)	–	–	–	–	–	–	(4,110,979)
Interest paid	(224,276)	(69,706)	(721,896)	(179,506)	–	–	–	–	–	(1,195,384)
Total changes from financing cash flows	1,203,553	463,474	134,976	(179,506)	–	–	–	–	–	1,622,497
Exchange adjustments	52,536	–	882,758	–	(17,093)	4,077	(1,350)	–	–	920,928
Changes in fair value	–	–	–	–	(1,591)	(5,990)	(30,449)	552	–	(37,478)
Other changes:										
Interest expenses *(note 4(a))*	56,859	60,166	85,436	21,186	–	–	–	–	40,535	264,182
Capitalised borrowing costs *(note 4(a))*	176,455	9,540	678,006	168,166	–	–	–	–	–	1,032,167
Acquisition of subsidiaries *(note 37(a))*	453,500	–	–	–	–	–	–	–	–	453,500
Total other changes	739,350	69,706	1,646,200	189,352	(18,684)	(1,913)	(31,799)	552	40,535	2,633,299
At 31 December 2018	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	481,211	20,315,933

25 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	**1,756,130**	450,118
After 1 year but within 2 years	**2,232,976**	986,674
After 2 years but within 5 years	**1,368,250**	1,785,876
After 5 years	**473,125**	664,910
	4,074,351	3,437,460
	5,830,481	3,887,578

At 31 December 2018, the bank loans were secured as follows:

	2018 RMB'000	2017 RMB'000
Bank loans		
– secured	**3,419,705**	2,003,125
– unsecured	**2,410,776**	1,884,453
	5,830,481	3,887,578

At 31 December 2018, the secured bank loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018 RMB'000	2017 RMB'000
Properties for sale	**2,238,693**	721,365
Property, plant and equipment	**792,220**	792,220
Interest in a joint venture	**66,858**	53,197
	3,097,771	1,566,782

25 BANK LOANS (Continued)

The effective interest rates of bank loans of the Group at 31 December 2018 were ranged from 4.75%-9.3%(2017: 4.35%-6.50%) per annum.

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). At 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

26 OTHER LOANS

At 31 December 2018, other loans represented loans from external financial institutions and were repayable as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 year	**593,150**	90,000
After 1 year but within 2 years	**240,030**	90,000
After 2 years but within 5 years	**–**	90,000
After 5 years	**–**	30,000
	240,030	210,000
	833,180	300,000

At 31 December 2018, the other loans were secured (2017: unsecured) as follows:

	2018	2017
	RMB'000	RMB'000
Other loans		
– secured	**490,250**	–
– unsecured	**342,930**	300,000
	833,180	300,000

The effective interest rates of other loans of the Group at 31 December 2018 were ranged from 7%-12% (2017: 1.2% – 7%) per annum.

26 OTHER LOANS (Continued)

At 31 December 2018, the secured other loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018	2017
	RMB'000	RMB'000
Properties for sale	**983,577**	–
Property, plant and equipment	**49,082**	–
Investment Property	**218,336**	–
	1,250,995	–

27 TRADE AND OTHER PAYABLES

	31 December 2018	31 December 2017
	RMB'000	RMB'000
Trade creditors and bills payable	**16,159,800**	8,450,966
Other creditors and accrued charges	**3,418,226**	3,285,589
Patent payable	**40,000**	35,000
Amounts due to joint ventures	**5,079,664**	9,352,517
Amounts due to associates	**225,607**	–
Amounts due to entities controlled by the ultimate controlling shareholder	**94,639**	–
Amounts due to non-controlling interests	**3,828,999**	830,852
Financial liabilities measured at amortised cost	**28,846,935**	21,954,924
Derivative financial instruments:		
– foreign exchange rate swap contract *(note 28)*	**77,252**	79,165
	28,924,187	22,034,089

27 TRADE AND OTHER PAYABLES (Continued)

Amounts due to joint ventures and associates are unsecured, interest-free and have no fixed terms of payment.

Amounts due to entities controlled by the ultimate controlling shareholder mainly included amount due to Central China New Life together with its subsidiaries of RMB78,482,000 for receiving services from these entities as disclosed in note 36 (2017: RMBNil), which are interest free, unsecured and to be settled according to the contract terms.

Amounts due to non-controlling interests included amount of RMB873,072,000 (2017: RMB105,000,000) which are unsecured, interest bearing at 12%-17% (2017: 10%) per annum and have no fixed terms of payment. The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of payment.

The amount of retention payable and derivative financial instruments expected to be settled after more than one year are RMB61,067,000 (2017: RMB47,993,000) and RMB77,252,000 (2017: RMB79,165,000), respectively. All of the trade and other payables are expected to be settled within one year.

(a) Aging analysis

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables based on the invoice date is as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 month	**7,839,814**	1,817,736
1-3 months	**2,543,872**	1,711,165
3-6 months	**1,440,263**	2,281,060
6-12 months	**905,144**	1,035,045
Over 12 months	**3,430,707**	1,605,960
	16,159,800	8,450,966

28 SENIOR NOTES

The movements of senior notes are set out below:

	Liability component of the senior notes RMB'000 *(note (a))*	Redemption call option RMB'000 *(note (b))*	Total RMB'000
At 1 January 2017	8,622,486	(34,617)	8,587,869
Proceeds from issuance senior notes	1,339,056	(812)	1,338,244
Transaction costs	(8,927)	–	(8,927)
Net proceeds	1,330,129	(812)	1,329,317
Interest and transaction costs amortised	18,962	–	18,962
Change in fair value *(note 4(a))*	–	(11,430)	(11,430)
Redemption	(1,098,655)	–	(1,098,655)
Exchange difference	(463,269)	3,010	(460,259)
At 31 December 2017	8,409,653	(43,849)	8,365,804
At 1 January 2018	8,409,653	(43,849)	8,365,804
Proceeds from issuance senior notes	5,047,121	(16,525)	5,030,596
Transaction costs	(62,954)	209	(62,745)
Net proceeds	4,984,167	(16,316)	4,967,851
Interest and transaction costs amortised	25,230	–	25,230
Change in fair value *(note 4(a))*	–	(1,591)	(1,591)
Redemption	(4,110,979)	–	(4,110,979)
Exchange difference	882,758	(777)	881,981
At 31 December 2018	10,190,829	(62,533)	10,128,296

Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

28 SENIOR NOTES (Continued)

(a) Liability component of the senior notes:

	Effective interest per annum	2018 RMB'000	2017 RMB'000
US$200 million due in 2020	8.13%	1,368,455	1,295,951
US$400 million due in 2018 *(note (i))*	6.71%	–	2,596,209
US$300 million due in 2021	8.91%	2,047,039	1,937,635
US$200 million due in 2021 *(note (ii))*	7.06%	1,359,000	1,285,374
US$200 million due in 2018	6.70%	–	1,294,484
US$300 million due in 2021 *(note (iii))*	6.50%	2,039,991	–
US$386 million due in 2020 *(note (iv))*	6.875%	2,623,029	–
S$150 million due in 2020 *(note (v))*	6.25%	753,315	–
		10,190,829	8,409,653
Less: amount due for maturity within 12 months (classified as current liabilities)		–	(3,890,692)
		10,190,829	4,518,961

(i) On 4 June 2018, the Company redeemed all outstanding US$400m Senior Notes upon maturity with principal amount of US$400,000,000 at the pre-determined redemption price.

(ii) On 16 July 2018, the Company redeemed all outstanding US$200m Senior Notes upon maturity with principal amount of US$200,000,000 at the pre-determined redemption price.

(iii) On 5 March 2018, the Company issued senior notes with principal amount of US$300,000,000 due in 2021. The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears and with a redemption call option.

(iv) On 23 April 2018 and 5 June 2018, the Company issued senior notes with principal amount of US$386,000,000 due in 2020. The senior notes are interest bearing at 6.875% per annum which is payable semiannually in arrears and with a redemption call option.

(v) On 2 May 2018, the Company issued senior notes with principal amount of S$150,000,000 due in 2020. The senior notes are interest bearing at 6.25% per annum which is payable semiannually in arrears and with a redemption call option.

28 SENIOR NOTES (Continued)

(b) Redemption call options embedded in senior notes:

	2018 RMB'000	2017 RMB'000
US$200 million due in 2020	**43,371**	23,907
US$400 million due in 2018	**–**	130
US$300 million due in 2021	**5,275**	19,618
US$200 million due in 2018	**–**	194
US$300 million due in 2021	**6,578**	–
US$386 million due in 2020	**5,892**	–
S$150 million due in 2020	**1,417**	–
Amount recorded in trade and other receivables	**62,533**	43,849

The assumptions applied in determining the fair value of the redemption call option at 31 December 2018 are set out as follows:

Credit spread	
US$200 million due in 2020	4.6% (2017: 5.8%)
US$300 million due in 2021	8.4% (2017: 5.7%)
US$300 million due in 2021	8.7%
US$386 million due in 2020	8.0%
S$150 million due in 2020	7.9%

(c) Other derivative financial instruments in relation to senior notes:

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US$200m Senior Notes due in 2021 by swapping the senior notes principal of US$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US$200,000,000 and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2018, the fair value of the foreign exchange rate swap contract amounted to RMB77,252,000 (2017: RMB79,165,000) (2017: note 27) is measured based on market price quoted by brokers and the fair value change gain of RMB5,990,000 (2017: loss of RMB108,549,000) is recorded under "Finance cost".

29 CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
At 1 January	**2,986,914**	2,978,128
Interest and transaction costs amortised	**9,846**	8,786
At 31 December	**2,996,760**	2,986,914

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 11 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

30 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(d) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(e) Share options granted on 12 June 2018

On 12 June 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 64,000,000 shares of the Company. The exercise price is HK$4.296 per share. The share option scheme was effective from 12 June 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(e) Share options granted on 12 June 2018 (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$1.566
Share price	HK$4.290
Exercise price	HK$4.296
Expected volatility	45.23%
Option life	10 years
Expected dividends	2.85%
Risk-free interest rate	2.92%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(f) Share options granted on 23 August 2018

On 23 August 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 37,000,000 shares of the Company. The exercise price is HK$3.470 per share. The share option scheme was effective from 23 August 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$1.392
Share price	HK$3.470
Exercise price	HK$3.470
Expected volatility	45.54%
Option life	10 years
Expected dividends	3.82%
Risk-free interest rat	2.77%

30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(f) Share options granted on 23 August 2018 (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(g) The number and the weighted average exercise price of share options are as follows:

	2018		2017	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**1.89**	**116,225,920**	2.33	31,217,720
Granted during the year	**3.99**	**101,000,000**	1.76	95,000,000
Exercised during the year	**–**	**–**	2.12	(6,991,800)
Lapsed during the year	**2.40**	**(3,800,160)**	1.76	(3,000,000)
Outstanding at 31 December	**2.88**	**213,425,760**	1.89	116,225,920
Exercisable at 31 December	**2.09**	**38,825,760**	2.39	24,225,920

The options outstanding at 31 December 2018 had a weighted average exercise price of HK2.88 (2017: HK$1.89) and a weighted average remaining contractual life of 8.46 years (2017: 8.38 years).

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	CIT RMB'000	LAT RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2017	91,275	212,297	237,943	541,515
Charged to the consolidated income statement *(note 5(a))*	554,960	372,413	–	927,373
Acquisitions of subsidiaries *(note 37(a)(ii))*	(34,212)	(9,404)	–	(43,616)
Disposals of subsidiaries *(note 37(b)(i))*	10,975	(49,551)	–	(38,576)
Tax paid	(785,563)	(500,087)	(960)	(1,286,610)
At 31 December 2017	(162,565)	25,668	236,983	100,086
At 1 January 2018	**(162,565)**	**25,668**	**236,983**	**100,086**
Charged to the consolidated income statement *(note 5(a))*	**476,472**	**190,968**	**48,400**	**715,840**
Acquisitions of subsidiaries *(note 37(a)(i))*	**(39,915)**	**24,672**	**–**	**(15,243)**
Tax paid	**(1,151,768)**	**(964,832)**	**(11,276)**	**(2,127,876)**
At 31 December 2018	**(877,776)**	**(723,524)**	**274,107**	**(1,327,193)**

Note: Upon the initial application of HKFRS 15, the Group has recognised current tax liabilities arising from the earlier revenue and profit recognition for sales of properties over time (see note 1(c)(ii)).

	2018 RMB'000	2017 RMB'000
Representing:		
Taxation payable	**833,264**	1,116,940
Tax recoverable	**(2,160,457)**	(1,016,854)
	(1,327,193)	100,086

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000	LAT RMB'000	Revenue recognition for sales of properties over time RMB'000	Credit loss allowance RMB'000	Fair value changes relating to financial assets RMB'000	Amortisation of capitalized contract costs RMB'000	Revaluation of biological assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(37,043)	127,461	–	–	–	–	–	(49,212)	41,206
Credited/(charged) to the consolidated income statement *(note 5(a))*	(60,850)	(26,719)	–	–	–	–	–	(25,842)	(113,411)
At 31 December 2017	(97,893)	100,742					–	(75,054)	(72,205)
Impact on initial application of HKFRS 15	–	(5,103)	(60,313)	–	–	(8,872)	–	–	(74,288)
Impact on initial application of HKFRS 9	–	–	–	11,359	(8,250)	–	–	–	3,109
At 1 January 2018	(97,893)	95,639	(60,313)	11,359	(8,250)	(8,872)	–	(75,054)	(143,384)
Credited/(charged) to the consolidated income statement *(note 5(a))*	(151,418)	133,494	(792,200)	7,826	–	(19,408)	(2,995)	(16,319)	(841,020)
Charged to reserves	–	–	–	–	(21,542)	–	–	–	(21,542)
At 31 December 2018	(249,311)	229,133	(852,513)	19,185	(29,792)	(28,280)	(2,995)	(91,373)	(1,005,946)

Note 1: Upon the initial application of HKFRS 15, the Group has recognised deferred tax liabilities arising from the capitalisation of contract costs which had been expensed in prior periods (see note 1(c)(ii)).

Note 2: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see note 1(c)(i)).

	2018 RMB'000	2017 RMB'000
Representing:		
Deferred tax assets	**248,318**	100,742
Deferred tax liabilities	**(1,254,264)**	(172,947)
	(1,005,946)	(72,205)

31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(w), The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,306,814,000 (2017: RMB1,139,482,000) at 31 December 2018, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

(d) Deferred tax liabilities not recognised:

As at 31 December 2018, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB7,113,960,000 (2017: RMB5,520,889,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2018		2017	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,449,263**	**244,926**	2,442,271	244,227
Issue of shares under share option scheme	**–**	**–**	6,992	699
Issue of ordinary shares	**282,000**	**28,200**	–	–
At 31 December	**2,731,263**	**273,126**	2,449,263	244,926
RMB'000 equivalent at 31 December		**239,958**		216,916

On 5 June 2018, the Company issued and allotted a total of 282,000,000 ordinary shares with par value of HK$0.1 each to an entity controlled by Mr. Wu Po Sum of 240,000,000 shares and the third party subscribers of 42,000,000 shares at the price of HK$3.65 per share, which resulted in a share premium of RMB809,114,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(z).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

(vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

(viii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(c)(i)).

(ix) Distributability of reserves

At 31 December 2018, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2018 was RMB421,671,000 (2017: RMB280,642,000).

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(x) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital *(Note 32(a))* RMB'000	Share premium *(Note 32 (b)(i))* RMB'000	Exchange reserve *(Note 32 (b)(iv))* RMB'000	Share-based compensation reserve *(Note 32 (b)(v))* RMB'000	Hedging reserve *(Note 32 (b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	**216,322**	**1,666,254**	**70,925**	**17,116**	**(41,156)**	**(515,008)**	**1,414,453**
Changes in equity for 2017:							
Loss for the year							
Other comprehensive income	–	–	–	–	–	(885,071)	(885,071)
– Exchange difference on translation of financial statements	–	–	(54,252)	–	–	–	(54,252)
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(33,069)	–	(33,069)
– Transfer from equity to profit or loss	–	–	–	–	74,225	–	74,225
Total comprehensive income	–	–	(54,252)	–	41,156	(885,071)	(898,167)
Issue of new shares under share option scheme	594	14,467	–	(2,444)	–	–	12,617
Equity settled share-based payment *(note 4(b))*	–	–	–	12,258	–	–	12,258
	594	14,467	–	9,814	–	–	24,875
Balance at 31 December 2017 and 1 January 2018	**216,916**	**1,680,721**	**16,673**	**26,930**	**–**	**(1,400,079)**	**541,161**
Changes in equity for 2018:							
Loss for the year	–	–	–	–	–	(259,170)	(259,170)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	25,218	–	–	–	25,218
– Cash flow hedge:	–	–	–	–	529	–	529
Total comprehensive income	–	–	25,218	–	529	(259,170)	(233,423)
Issue of new shares	23,042	809,114	–	–	–	–	832,156
Dividend approved in respect of the previous year	–	–	–	–	–	(243,915)	(243,915)
Dividend declared in respect of the current year	–	–	–	–	–	(165,000)	(165,000)
Issue of new shares under share option scheme	–	–	–	43,059	–	–	43,059
	23,042	809,114	–	43,059	–	(408,915)	466,300
Balance at 31 December 2018	**239,958**	**2,489,835**	**41,891**	**69,989**	**529**	**(2,068,164)**	**774,038**

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018	2017
	RMB'000	RMB'000
Interim dividend declared and paid of HK$7.16 cents (equivalent to RMB6.04 cents)per ordinary share (2017:Nil)	**165,000**	–
Final dividend proposed after the end of the reporting period of HK$14.12 cents (equivalent to RMB12.09 cents) per ordinary share (2017: HK$12.29 cents (equivalent to RMB9.93 cents) per ordinary share)	**330,210**	243,212

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018	2017
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$12.29 cents (equivalent to RMB9.96 cents) per ordinary share (2017: Nil)	**243,915**	–

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2018 and 2017 was as follows:

	2018 **RMB'000**	2017 RMB'000
Current liabilities		
– Bank loans	**1,756,130**	450,118
– Other loans	**593,150**	90,000
– Senior notes	**–**	3,890,692
– Corporate Bonds	**2,996,760**	–
	5,346,040	4,430,810
Non-current liabilities		
– Bank loans	**4,074,351**	3,437,460
– Other loans	**240,030**	210,000
– Senior notes	**10,190,829**	4,518,961
– Corporate Bonds	**–**	2,986,914
	14,505,210	11,153,335
Total debt	**19,851,250**	15,584,145
Less:		
– Cash and cash equivalents	**(14,202,259)**	(11,283,853)
Adjusted net debt	**5,648,991**	4,300,292
Total equity	**10,269,784**	8,473,169
Less:		
– Hedging reserve	**529**	–
Adjusted capital	**10,269,255**	8,473,169
Adjusted net debt-to-capital ratio	**55.0%**	50.8%

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group carried out one interest rate swap contract to manage part of its interest rate exposure.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in United States Dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Notional amount	**1,027,758**	–
Carrying amount *(note)*		
– Asset	**552**	–

Note: Interest rate swap assets is included in the "Trade and other receivables" (note 21) line items in the consolidated statement of financial position.

The swaps mature over the next two years matching the maturity of the related loans (see note 33(c)) and have fixed swap rates ranging from 2.655% to 2.775% (2017: Nil).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(a) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit and total equity by approximately RMB54,765,000 (2017: RMB39,621,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from restricted bank deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions sound credit rating for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 35(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 35. The maximum exposure to other credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

Trade receivables and contract assets

There is no significant concentration of credit risk within the Group. Trade receivables are due upon the date of billing. In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Current (not past due) and 1 – 90 days past due	1.5%	162,130	2,433
91 – 120 days past due	4.2%	1,121	47
121 – 270 days past due	8.4%	7,087	595
271 – 365 days past due	20.2%	1,772	358
More than 365 days past due	50.0%	25,998	13,000
		198,108	16,433

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(m)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	32,853
1 – 3 months past due	2,593
3 – 6 months past due	6,199
6 – 12 months past due	24,131
Over 1 year past due	16,578
	82,354

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

Comparative information under HKAS 39 (Continued)

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018	2017
	RMB'000	RMB'000
Balance at 31 December 2017 under HKAS 39	**–**	–
Impact on initial application of HKFRS 9 *(note 1(c)(i))*	**16,114**	–
Balance at 1 January	**16,114**	–
Amounts written off during the year	**–**	–
Impairment losses recognised during the year	**319**	–
Balance at 31 December	**16,433**	–

Credit risk arising from other receivables

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. Normally, the Group does not obtain collateral from debtors.

For other receivables, the Group measures a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The impairment losses on other receivables are within management's expectation.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2018					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**1,903,929**	**2,363,708**	**1,597,886**	**604,674**	**6,470,197**	**5,830,481**
Other loans	**654,095**	**261,333**	**–**	**–**	**915,428**	**833,180**
Senior notes	**743,870**	**5,352,276**	**5,594,459**	**–**	**11,690,605**	**10,190,829**
Corporate bonds	**3,003,050**	**–**	**–**	**–**	**3,003,050**	**2,996,760**
Trade and other payables	**28,947,113**	**101,067**	**–**	**–**	**29,048,180**	**28,924,187**
	35,252,057	**8,078,384**	**7,192,345**	**604,674**	**51,127,460**	**48,775,437**
Financial guarantees issued: – Maximum amount guaranteed *(note 35)*	**35,131,382**	**–**	**–**	**–**	**35,131,382**	**–**

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	527,937	1,091,567	2,001,861	827,952	4,449,317	3,887,578
Other loans	96,300	96,300	108,900	33,284	334,784	300,000
Senior notes	4,372,755	361,229	4,898,081	–	9,632,065	8,409,653
Corporate bonds	179,507	3,049,808	–	–	3,229,315	2,986,914
Trade and other payables	20,919,769	106,295	–	–	21,026,064	20,824,820
	26,096,268	4,705,199	7,008,842	861,236	38,671,545	36,408,965
Financial guarantees issued:						
– Maximum amount guaranteed *(note 35)*	30,503,098	–	–	–	30,503,098	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2018 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018		2017	
	Singapore Dollars '000	**United States Dollars '000**	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	**63**	**62,908**	63	64,868
Senior notes	**(148,880)**	**(1,377,411)**	–	(1,294,547)
Bank loans	**–**	**(148,105)**	–	(146,732)
Gross exposure arising from recognised assets and liabilities and overall net exposure	**(148,817)**	**(1,462,608)**	63	(1,376,411)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables from and net investment in PRC subsidiaries. The Group uses foreign exchanges forward contracts with notional principal amounts of US$350 million to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The contracts will mature in 2019 and 2020 respectively.

A reasonably possible increase/decrease of 5% (2017: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB591,060,000 (2017: RMB430,718,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of US$200m Senior Notes due in 2021 as discussed in notes 28(c).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 18). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of Index and other industry indications, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2017: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The Group has a team headed by the finance controller performing valuations for the financial instruments, mainly the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	**82,775**	**82,775**	**–**	**–**
Other financial assets:				
– Non-trading listed equity securities	**249,419**	**249,419**	**–**	**–**
– Unlisted equity securities	**352,914**	**–**	**–**	**352,914**
Derivative financial instruments:				
– Redemption call options embedded in senior notes	**62,533**	**–**	**62,533**	**–**
– Foreign exchange forward contracts	**31,799**	**–**	**31,799**	**–**
– Interest rate swap contracts	**552**	**–**	**552**	**–**
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	**77,252**	**–**	**77,252**	**–**

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Trading securities:				
– Listed equity securities in Hong Kong	97,105	97,105	–	–
Derivative financial instruments:				
– Redemption call options embedded in Senior Notes	43,849	–	43,849	–
Financial liabilities:				
Derivative financial instruments:				
– Foreign exchange rate swap contract	79,165	–	79,165	–

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of foreign exchange forward contracts and foreign exchange rate swap contract in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by reference to the net asset value of these investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018 RMB'000
Unlisted equity securities:	
At 1 January	**326,286**
Impact on initial application of HKFRS 9 at 1 January 2018	**783**
Net unrealised gains or losses recognised in other comprehensive income during the period	**25,845**
At 31 December	**352,914**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, the unlisted equity securities were stated at cost less impairment losses.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2017 and 2018.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements are as follows:

	2018	2017
	RMB'000	RMB'000
– Authorised but not contracted for	**44,534,992**	12,352,427
– Contracted but not provided for	**24,153,219**	6,814,843
	68,688,211	19,167,270

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	RMB'000
Within 1 year	**25,619**	4,253
After 1 year but within 5 years	**93,459**	17,015
After 5 years	**517,617**	84,370
	636,695	105,638

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

35 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2018 is as follows:

	2018	2017
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	**27,135,358**	18,738,540
– the joint ventures' properties (the Group's shared portion)	**2,387,633**	4,602,718
	29,522,991	23,341,258

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures and given to trust manager of a joint venture

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB4,984,799,000 at 31 December 2018 (2017: RMB6,511,840,000). The Group closely monitors the repayment progress of the relevant loans by those joint ventures. At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreement. As at 31 December 2018, the Group extended the minimum return of RMB69,092,000 (2017: RMB35,486,000) to the trust manager, which is receivable from the joint venture. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

35 CONTINGENT LIABILITIES (Continued)

(c) Liquidity support given to Henan Jianye Property Management Company Limited 河南建業物業管理有限公司 ("Jianye Property Management")

In April 2016, the Group provided liquidity support, not exceeding RMB650,000,000, in favour of Jianye Property Management, a subsidiary of Central China New Life, for the outstanding amount in relation to its Asset-backed Securities of RMB850,000,000. The liquidity support fee of RMB1,747,000 was recognised in 2018 (2017: RMB1,950,000).

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2018 are as follows:

	Note	**2018 RMB'000**	2017 RMB'000
Project management service income from joint ventures or associates		**70,446**	10,081
Interest income from joint ventures	*(i)*	**66,642**	32,556
Interest income from non-controlling interests	*(i)*	**–**	518
Interest expenses to non-controlling interests	*(ii)*	**(32,500)**	(2,527)
Receiving services from entities controlled by the ultimate controlling shareholder	*(iii)*	**(114,080)**	(2,915)
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder		**4,437**	–

Notes:

(i) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(ii) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.

(iii) In December 2017, the ultimate controlling shareholder of the Company acquired 100% of the equity interest in Central China New Life from its former equity interest owner. Central China New Life, together with its subsidiaries, provides various types of services for the Group, mainly including consultation service of RMB26,297,000, hotel management service of RMB11,089,000, tourism service of RMB14,382,000, vacant property management service of RMB7,071,000, marketing centre management service of RMB7,377,000, real estate agency service of RMB34,064,000, marketing consultation service of RMB6,900,000 and VIP club member service of RMB6,900,000 and other miscellaneous services.

(iv) On 24 September 2018, the Group entered into an acquisition agreement with Joy Bright Investments Limited whose equity interest was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company pursuant to which, the Group agreed to acquire 100% equity interests in Great Fine Investments Limited ("Great Fine Investments") at the consideration of RMB290,000,000. Upon completion of the acquisition, Great Fine Investments was 100% owned by the Group, and became a subsidiary of the Group.

(b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rendering service to, receiving services and acquiring equity interests from entities controlled by the ultimate controlling shareholder above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections "Connected transactions" and "Continuing connected transactions" of the Directors' Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries

(i) Acquisitions in 2018

During the year ended 31 December 2018, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration RMB'000
5 January 2018	Xinyang Jigongshan Central China Tianming Construction Development Company Limited*	0%	60%	60%	109,700
6 January 2018	Xinyang Jigongshan Central China Tianming Mancheng Real Estate Company Limited*	0%	60%	60%	6,000
7 January 2018	Kaifeng Dingsheng Real Estate Company Limited*	0%	50.98%	50.98%	5,100
31 March 2018	Zhengzhou Central China Tianming Property Company Limited*	66.66%	33.34%	100%	560,750
31 March 2018	Zhengzhou Dengcao	0%	60%	60%	147,982
1 July 2018	Jiyuan Huling Jingkai Real Estate Company Limited*	0%	51%	51%	15,300
1 July 2018	Nanyang Zhonghe Real Estate Company Limited*	0%	55%	55%	30,315
31 July 2018	Xinmi Lizhi Real Estate Company Limited*	0%	90%	90%	54,200
30 October 2018	Great Fine Investments	0%	100%	100%	290,000
31 October 2018	Anyang Central China City Development Company Limited*	49.5%	5.5%	55%	5,500
31 October 2018	Luoyang Guotai Meijule	34%	27%	61%	85,660
30 November 2018	Nanyang Guoxing Real Estate Company Limited*	0%	100%	100%	11,764

* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(i) Acquisitions in 2018 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	218,284	70,095	288,379
Intangible assets	5	–	5
Deferred tax assets	2,856	–	2,856
Tax recoverable	70,706	–	70,706
Inventories and other contract costs	4,735,873	386,300	5,122,173
Trade and other receivables	2,637,720	–	2,637,720
Deposits and prepayments	54,609	246,305	300,914
Restricted bank deposits	24,698	–	24,698
Cash and cash equivalents	814,323	–	814,323
Bank loans	(453,500)	–	(453,500)
Taxation payable	(48,701)	(6,763)	(55,464)
Trade and other payables	(3,134,385)	–	(3,134,385)
Contract liabilities	(2,591,172)	–	(2,591,172)
Net identified assets and liabilities	2,331,316	695,937	3,027,253
Non-controlling interests			(411,005)
			2,616,248
Satisfied by:			
Cash			1,322,271
Fair value of previously held interests in joint ventures as at acquisition date			1,293,977
			2,616,248
Total consideration paid			1,322,271
Total cash and cash equivalents acquired			(814,323)
Net cash outflow			507,948

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(i) Acquisitions in 2018 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,443,159,000 and profit attributable to the equity shareholders of the Company of RMB292,054,000 to the Group for the year ended 31 December 2018. Should the acquisitions had occurred on 1 January 2018, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2018 would have been RMB15,066,651,000 and RMB1,189,607,000 respectively.

The Group incurred acquisition-related costs of RMBNil, and have been included in "general and administrative expenses".

(ii) Acquisitions in 2017

During the year ended 31 December 2017, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
17 January 2017	Zhumadian City Chuncheng Properties Company Limited*	0%	51%	51%	10,400
18 January 2017	Changge City Yicheng Real Estate Development Company Limited*	0%	70%	70%	36,350
29 March 2017	Puyang City Lima Beer Company Limited*	0%	60%	60%	21,288
31 March 2017	Henan Central China Union Zhiye Company Limited*	65.63%	34.37%	100%	330,000
31 March 2017	Henan Longyu Real Estate Company Limited*	70%	30%	100%	124,949
9 June 2017	Shangqiu Hongda Enterprises Company Limited*	0%	80%	80%	40,721

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
31 July 2017	Shangqiu Xindu Properties Company Limited*	0%	100%	100%	–
3 August 2017	Henan Jiaheng Properties Company Limited*	0%	100%	100%	16,500
7 August 2017	Shangqiu City Zhiyuan Real Estate Development Company Limited*	0%	51%	51%	–
29 August 2017	Beijing Lande Huifeng Real Estate Development Company Limited*	0%	100%	100%	230,000
30 August 2017	Shangqiu Jinshengyuan Industrial Company Limited*	0%	51%	51%	10,200
20 September 2017	Zhengzhou Fengtai Properties Company Limited*	0%	70%	70%	59,400

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	4,587	–	4,587
Interests in joint ventures	20,000	–	20,000
Tax recoverable	43,616	–	43,616
Inventories and other contract costs	2,147,785	493,093	2,640,878
Trade and other receivables	1,493,269	–	1,493,269
Deposits and prepayments	108,118	–	108,118
Restricted bank deposits	85,998	–	85,998
Cash and cash equivalents	255,482	–	255,482
Bank loans	(1,022,800)	–	(1,022,800)
Trade and other payables	(901,800)	–	(901,800)
Receipts in advance	(954,032)	–	(954,032)
Net identified assets and liabilities	1,280,223	493,093	1,773,316
Non-controlling interests			(106,520)
			1,666,796
Satisfied by:			
Cash			879,808
Carrying amount of interests in joint ventures as at acquisition date			786,988
			1,666,796
Total consideration paid			879,808
Total cash and cash equivalents acquired			(255,482)
Net cash outflow			624,326

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries (Continued)

(ii) Acquisitions in 2017 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,567,973,000 and profit attributable to the equity shareholders of the Company of RMB44,729,000 to the Group for the year ended 31 December 2017. Should the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 would have been RMB13,894,349,000 and RMB813,028,000 respectively.

The Group incurred acquisition-related costs of RMB229,000, and have been included in "general and administrative expenses".

(b) Disposal/deemed disposal of subsidiaries

During the year ended 31 December 2018, the Group did not dispose any subsidiaries.

(i) Disposals of subsidiaries in 2017

During the year ended 31 December 2017, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group retained certain equity interests in Zhengzhou Anyong Properties Limited and Henan Longyu Real Estate Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration RMB'000
15 February 2017	Zhengzhou Central China Kairun Real Estate Company Limited*	85%	85%	0%	–
21 February 2017	Henan Central China Kaipu Commercial Development Company Limited*	80%	80%	0%	–
21 July 2017	Zhengzhou Anyong Properties Limited*	100%	20%	80%	150,000
27 December 2017	Henan Longyu Real Estate Company Limited*	100%	40%	6%	145,000

* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal/deemed disposal of subsidiaries (Continued)

(i) Disposals of subsidiaries in 2017 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	506
Inventories and other contract costs	1,792,053
Trade and other receivables	1,356,342
Deposits and prepayments	1,488
Tax recoverable	4,744
Restricted bank deposits	22,668
Cash and cash equivalents	11,412
Bank loans	(1,037,440)
Trade and other payables	(1,306,599)
Receipts in advance	(30,560)
Taxation payable	(43,320)
Non-controlling interests	(24,802)
Net assets	746,492
Net gain on disposals of subsidiaries *(note 3)*	189,647
	936,139
Satisfied by:	
Cash	295,000
Interests in joint ventures	641,139
	936,139
Total consideration received	295,000
Total cash and cash equivalents disposed	(11,412)
Net cash inflow	283,588

37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposal/deemed disposal of subsidiaries (Continued)

(ii) Deemed disposal of a subsidiary in 2017

During the year ended 31 December 2017, an investor invested in the below subsidiary, which diluted the Group's equity interests in the entity. Details of the deemed disposal of a subsidiary during the year are summarised as follows:

Dates of deemed disposal	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 May 2017	Zhengzhou Jianye Eighteen Cities Zhiye Company Limited*	100%	50%	50%

* The English name of the above company in the PRC is translated by management only for the purpose of these financial statements

The deemed disposal of a subsidiary had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	104
Inventories and other contract costs	10,523
Deposits and prepayments	2,633,456
Cash and cash equivalents	903
Trade and other payables	(2,545,546)
Net assets	99,440
Net gain on deemed disposal of a subsidiary *(note 3)*	280
	99,720
Satisfied by:	
Interests in a joint venture	99,720
Total cash and cash equivalents disposed	(903)
Net cash outflow	(903)

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
Non-current asset			
Interests in subsidiaries		**12,138,931**	9,885,326
Current assets			
Derivative financial instruments		**94,862**	43,849
Cash and cash equivalents		**14,644**	216,264
Deposits and prepayments		**76,240**	6,302
Trade and other receivables		**7,126**	–
		192,872	266,415
Current liabilities			
Trade and other payables		**(352,160)**	(247,725)
Bank loans		**(256,940)**	–
Senior notes		**–**	(3,890,692)
		(609,100)	(4,138,417)
Net current liabilities		**(416,228)**	(3,872,002)
Total assets less current liabilities		**11,722,703**	6,013,324
Non-current liabilities			
Bank loans		**(757,836)**	(953,202)
Senior notes		**(10,190,829)**	(4,518,961)
		(10,948,665)	(5,472,163)
NET ASSETS		**774,038**	541,161
CAPITAL AND RESERVES	*32(b)(ix)*		
Share capital		**239,958**	216,916
Reserves		**534,080**	324,245
TOTAL EQUITY		**774,038**	541,161

Approved and authorised for issue by the board of directors on 27 March 2019.

Wu Po Sum
Executive Director

Liu Weixing
Executive Director

39 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Revenue recognition for sales of properties

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Due to the contractual restrictions with the customer, the Group shall not change or substitute the property unit or redirect the property unit for another use and thus the property unit does not have an alternative use to the Group. However, it requires management to exercise significant judgement to determine whether there is an enforceable right to payment for performance completed to date, which depends on the terms of sales and purchase agreement and the interpretation of the applicable laws that apply to the contract. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales and purchase agreements. Management uses judgments, based on legal counsel opinion, to classify sales and purchase agreements into those with right to payment for performance completed to date and those without the right.

The Group recognises revenue from sales of properties progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method based on the proportion of the actual costs incurred relative to the estimated total costs. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. The actual outcomes in terms of total cost or the progress towards complete satisfaction may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Valuation of investment property

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Valuation of investment property (Continued)

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(c) Impairment for buildings and construction in progress

As explained in note 1(m), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(d) Assessing the net realisable value of properties for sale

As explained in note 1(o), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(f) CIT and LAT

As disclosed in note 5, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

(g) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes, foreign exchange forward contracts and foreign exchange rate swap contract of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 28. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 29 January 2019, the Company issued senior notes with principal amount of US$200,000,000. The senior notes are interest bearing at 7.325% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 27 January 2020. The details of the redemption price are disclosed in the relevant offering memorandum published by the Company on 30 January 2019.

(b) On 30 January 2019, the extraordinary general meeting held by the Group approved the entering into of the equity transfer agreement with Joy Bright Investments Limited, the equity interest of which was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company, dated 14 December 2018 to acquire 100% equity interest in Pacific Prestige Holdings Limited at the consideration of RMB765,000,000.

c) On 29 January 2019, the Group entered into an acquisition agreement with Bridge Trust Co., Ltd., pursuant to which, the Group agreed to acquire 45.45% equity interests in CCRE Hengxin at the consideration of RMB709,685,000. Upon completion of the acquisition, CCRE Hengxin was 100% owned by the Group, and became a subsidiary of the Group.

(d) As disclosed in Note 29, the Group may at its option adjust the coupon rate of the Corporate Bonds issued on 13 April 2016 and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price. On 1 March 2019, the Group has commenced the implementation of sale back regarding the Corporate Bonds and, based on current market condition, decides to raise the coupon rate by 120 basis points to 7.20%, which will remain unchanged for the last two years of the duration (12 April 2019 to 11 April 2021).

(e) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 32(c)(i).

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 34(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB636,695,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB267,516,000 and RMB293,136,000, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

Independent Auditor's Report

Independent auditor's report to the shareholders of Central China Real Estate Limited
(Incorporated in the Cayman Islands with Limited Liability)

OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 220, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on the sale of properties

Refer to note 4 to the consolidated financial statements and the accounting policies in note 2(v) on page 128.

The Key Audit Matter	How the matter was addressed in our audit
The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province. Recorded revenue from the sale of properties for the year ended 31 December 2017 totalled RMB13,211 million, which accounted for 95% of the Group's total revenue for the year. Revenue arising from the sale of properties is recognised when the following three criteria are all met: (1) the signing of the sale and purchase agreement; (2) the completion of the properties, which the management considers to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively (namely, the "property completion certification"); and (3) the collectability of the related receivable is reasonably assured. Deposits and instalments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as receipts in advance. We identified revenue recognition on the sale of properties as a key audit matter because revenue is one of the key performance indicators of the Group and because of its significance to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.	Our audit procedures to assess revenue recognition on the sale of properties included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; • selecting a sample of property sale transactions from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; • conducting site visits to property development projects for which revenue had been recognised in the current year, on a sample basis, to observe the completion status; • assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as receipts in advance from pre-sale of properties; • scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risked-based criteria.

Assessing the net realisable value of properties for sale

Refer to note 20 to the consolidated financial statements and the accounting policies in note 2(m) on page 123.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2017, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB24,341 million, which represented 39% of the Group's total assets as at that date. Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales).	Our audit procedures to assess the net realisable value of properties held for sale included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments; • comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts; • conducting site visits to properties held for future development, properties under development for sale and completed properties held for sale, on a sample basis, discussing with site management and observing the development progress and comparing the observed development progress with the Group's financial accounting records; • for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;

The Key Audit Matter	How the matter was addressed in our audit
We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures introduced by local governments in various cities across Mainland China.	• discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data; • re-performing calculations made by management in arriving at the year end assessment of net realisable values of properties for sale; • performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Chi Hung.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

12 March 2018

Consolidated Income Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Revenue	*4*	**13,879,207**	9,495,022
Cost of sales		**(10,598,430)**	(7,202,155)
Gross profit		**3,280,777**	2,292,867
Other revenue	*5*	**106,810**	228,696
Other net income	*5*	**258,358**	17,600
Selling and marketing expenses		**(697,149)**	(478,899)
General and administrative expenses		**(1,087,227)**	(808,433)
Other operating income		**48,627**	43,037
		1,910,196	1,294,868
Share of losses of associates		**(4,422)**	(1,160)
Share of profits less losses of joint ventures		**198,943**	107,386
Finance costs	*6(a)*	**(408,051)**	(400,806)
Profit before change in fair value of investment properties and income tax		**1,696,666**	1,000,288
Net valuation gain on investment properties	*13*	**243,400**	27,223
Profit before taxation	*6*	**1,940,066**	1,027,511
Income tax	*7(a)*	**(1,040,784)**	(623,391)
Profit for the year		**899,282**	404,120
Attributable to:			
Equity shareholders of the Company		**811,365**	402,973
Non-controlling interests		**87,917**	1,147
Profit for the year		**899,282**	404,120
Earnings per share	*10*		
– Basic (RMB cents)		**33.19**	16.50
– Diluted (RMB cents)		**32.95**	16.50

The notes on pages 112 to 220 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017
(Expressed in Renminbi)

	2017 RMB'000	2016 RMB'000
Profit for the year	**899,282**	404,120
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries	**395,114**	(539,441)
– Cash flow hedge:		
– Effective portion of changes in fair value	**(33,069)**	(18,276)
– Transfer from equity to profit or loss	**74,225**	31,705
Other comprehensive income for the year	**436,270**	(526,012)
Total comprehensive income for the year	**1,335,552**	(121,892)
Attributable to:		
Equity shareholders of the Company	**1,246,481**	(121,314)
Non-controlling interests	**89,071**	(578)
Total comprehensive income for the year	**1,335,552**	(121,892)

There is no tax effect relating to the above component of the other comprehensive income.

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	*12*	**3,793,340**	3,024,802
Investment properties	*13*	**1,297,000**	575,870
Intangible assets	*14*	**204,300**	131,250
Interests in associates	*16*	**536,549**	27,168
Interests in joint ventures	*17*	**9,026,377**	6,276,091
Other financial assets	*18*	**486,366**	190,080
Deferred tax assets	*32(b)*	**100,742**	127,461
		15,444,674	10,352,722
Current assets			
Trading securities	*19*	**97,105**	105,868
Properties for sale	*20*	**24,341,214**	18,026,529
Trade and other receivables	*21*	**1,664,421**	887,613
Deposits and prepayments	*22*	**6,554,002**	3,161,766
Tax recoverable	*32(a)*	**1,016,854**	610,171
Restricted bank deposits	*23*	**2,125,062**	1,404,821
Cash and cash equivalents		**11,283,853**	9,776,310
		47,082,511	33,973,078
Current liabilities			
Bank loans	*25*	**(450,118)**	(514,265)
Other loans	*26*	**(90,000)**	(90,000)
Payables and accruals	*27*	**(22,034,089)**	(14,842,040)
Receipts in advance	*28*	**(15,087,593)**	(6,832,439)
Senior notes	*29*	**(3,890,692)**	(960,216)
Taxation payable	*32(a)*	**(1,116,940)**	(1,151,686)
		(42,669,432)	(24,390,646)
Net current assets		**4,413,079**	9,582,432
Total assets less current liabilities		**19,857,753**	19,935,154

Consolidated Statement of Financial Position (Continued)

at 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Non-current liabilities			
Bank loans	*25*	**(3,437,460)**	(1,851,175)
Other loans	*26*	**(210,000)**	(300,000)
Payables and accruals		**(58,302)**	(60,000)
Corporate bonds	*30*	**(2,986,914)**	(2,978,128)
Senior notes	*29*	**(4,518,961)**	(7,662,270)
Deferred tax liabilities	*32(b)*	**(172,947)**	(86,255)
		(11,384,584)	(12,937,828)
NET ASSETS		**8,473,169**	6,997,326
CAPITAL AND RESERVES			
Share capital	*33(a)*	**216,916**	216,322
Reserves		**7,477,757**	6,205,741
Total equity attributable to equity shareholders of the Company		**7,694,673**	6,422,063
Non-controlling interests		**778,496**	575,263
TOTAL EQUITY		**8,473,169**	6,997,326

Approved and authorised for issue by the board of directors on 12 March 2018.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(Note 33(a)(i))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Statutory reserve fund *(Note 33(b)(ii))* RMB'000	Other capital reserve *(Note 33(b)(iii))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Property revaluation reserve *(Note 33(b)(vi))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326
Changes in equity for 2017:													
Profit for the year		-	-	-	-	-	-	-	-	811,365	811,365	87,917	899,282
Other comprehensive income		-	-	-	-	393,960	-	-	41,156	-	435,116	1,154	436,270
Total comprehensive income		-	-	-	-	393,960	-	-	41,156	811,365	1,246,481	89,071	1,335,552
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(64,859)	(64,859)
Appropriation to statutory reserve fund		-	-	343,759	-	-	-	-	-	(343,759)	-	-	-
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	99,600	99,600
Shares issued under share option scheme		594	14,467	-	-	-	(2,444)	-	-	-	12,617	-	12,617
Equity settled share-based payment	*6(f)*	-	-	-	-	-	12,258	-	-	-	12,258	-	12,258
Disposal of subsidiaries	*38(b)*	-	-	-	-	-	-	-	-	-	-	(24,802)	(24,802)
Disposal of partial interest in subsidiaries		-	-	-	448	-	-	-	-	-	448	8,509	8,957
Acquisitions of additional interests in subsidiaries		-	-	-	806	-	-	-	-	-	806	(10,806)	(10,000)
Acquisitions of subsidiaries	*38(a)*	-	-	-	-	-	-	-	-	-	-	106,520	106,520
		594	14,467	343,759	1,254	-	9,814	-	-	(343,759)	26,129	114,162	140,291
Balance at 31 December 2017		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	3,087,376	7,694,673	778,496	8,473,169

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											
	Note	Share capital (Note 33(a)(i)) RMB'000	Share premium (Note 33(b)(i)) RMB'000	Statutory reserve fund (Note 33(b)(ii)) RMB'000	Other capital reserve (Note 33(b)(iii)) RMB'000	Exchange reserve (Note 33(b)(iv)) RMB'000	Share-based compensation reserve (Note 33(b)(v)) RMB'000	Property revaluation reserve (Note 33(b)(vi)) RMB'000	Hedging reserve (Note 33(b)(vii)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		216,322	1,666,254	1,766,679	478,232	45,268	19,067	6,479	(54,585)	2,654,944	6,798,660	518,859	7,317,519
Changes in equity for 2016:													
Profit for the year		–	–	–	–	–	–	–	–	402,973	402,973	1,147	404,120
Other comprehensive income		–	–	–	–	(537,716)	–	–	13,429	–	(524,287)	(1,725)	(526,012)
Total comprehensive income		–	–	–	–	(537,716)	–	–	13,429	402,973	(121,314)	(578)	(121,892)
Final dividends approved in respect of the previous year	33(c)(ii)	–	–	–	–	–	–	–	–	(240,295)	(240,295)	–	(240,295)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(26,200)	(26,200)
Appropriation to statutory reserve fund		–	–	200,240	–	–	–	–	–	(200,240)	–	–	–
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	–	–	75,968	75,968
Equity settled share-based payment	6(b)	–	–	–	–	–	437	–	–	–	437	–	437
Lapse of share-based transaction		–	–	–	–	–	(2,388)	–	–	2,388	–	–	–
Disposals of subsidiaries	38(e)	–	–	–	–	–	–	–	–	–	–	(40,744)	(40,744)
Disposal of partial interest in a subsidiary		–	–	–	(329)	–	–	–	–	–	(329)	11,729	11,400
Acquisitions of additional interests in subsidiaries		–	–	–	(15,096)	–	–	–	–	–	(15,096)	(14,523)	(29,619)
Acquisitions of subsidiaries	38(d)	–	–	–	–	–	–	–	–	–	–	50,752	50,752
		–	–	200,240	(15,425)	–	(1,951)	–	–	(438,147)	(255,283)	56,982	(198,301)
Balance at 31 December 2016		216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326

The notes on pages 112 to 220 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	**2017** **RMB'000**	2016 RMB'000
Operating activities			
Profit before taxation		**1,940,066**	1,027,511
Adjustments for:			
Interest income	*5*	**(91,309)**	(225,675)
Depreciation and amortisation	*6(c)*	**255,448**	228,012
Equity settled share-based payment expenses	*6(b)*	**12,258**	437
Dividend income from equity securities	*5*	**(13,776)**	(1,521)
Net increase in fair value of investment properties	*13*	**(243,400)**	(27,223)
Net loss on disposals of property, plant and equipment	*5*	**412**	295
Share of losses of associates	*16*	**4,422**	1,160
Share of profits less losses of joint ventures		**(198,943)**	(107,386)
Finance costs	*6(a)*	**408,051**	400,806
Unrealised and realised loss/(gain) on trading securities	*5*	**1,081**	(19,583)
Write down of properties for sale	*5*	**64,766**	26,271
Net gain on disposals of subsidiaries	*5*	**(189,647)**	(813)
Net loss/(gain) on deemed disposals of subsidiaries	*5*	**(280)**	18,611
Gain on disposal of a joint venture	*5*	**(12,577)**	–
Net fair value gain upon acquisition of subsidiaries	*5*	**–**	(66,961)
Government grants	*5*	**(1,725)**	(1,500)
Operating profit before changes in working capital carried forward		**1,934,847**	1,252,441

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating profit before changes in working capital brought forward		**1,934,847**	1,252,441
Increase in properties for sale		**(5,174,136)**	(262,092)
(Increase)/decrease in trade and other receivables		**(1,327,725)**	218,941
(Increase)/decrease in deposits and prepayments		**(5,324,714)**	460,044
Increase in restricted bank deposits		**(656,910)**	(81,987)
Increase in payables and accruals		**10,263,449**	71,851
Increase in receipts in advance		**7,331,682**	1,298,673
Cash generated from operations		**7,046,493**	2,957,871
PRC tax paid		**(1,286,610)**	(846,508)
Net cash generated from operating activities		**5,759,883**	2,111,363
Investing activities			
Payment for purchase of property, plant and equipment		**(998,311)**	(354,295)
Proceeds from disposals of property, plant and equipment		**480**	1,559
Payment for purchase of intangible asset		**(106,039)**	(35,000)
Net cash paid upon acquisitions of subsidiaries	*38(a)/(d)*	**(624,326)**	(1,829,031)
Acquisitions of additional interests in subsidiaries		**(10,000)**	(29,619)
Net cash outflow upon deemed disposals of subsidiaries	*38(c)/(f)*	**(903)**	(97,075)
Net cash inflow/(outflow) upon disposals of subsidiaries	*38(b)/(e)*	**283,588**	(175,748)
Net cash inflow upon disposal of partial interest in subsidiaries		**8,957**	11,400
Disposals of joint ventures		**15,560**	–
Investments in joint ventures		**(124,694)**	(18,750)
Return of capital from a joint venture		**–**	2,038
Payment for purchase of other financial assets		**(300,000)**	(120,000)
Proceeds from disposals of other financial assets		**3,714**	40,000
Advances to joint ventures		**(2,650,790)**	(472,069)
Repayment from joint ventures		**52,417**	639,529
Dividend received from joint ventures		**130,139**	167,605
Advances to associates		**(393,803)**	(3,000)
Investment in new associates		**(120,000)**	–
Dividend received from equity securities		**13,776**	1,521
Interest received		**91,309**	225,675
Net cash used in investing activities		**(4,728,926)**	(2,045,260)

Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2017
(Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Financing activities			
Proceeds from new bank loans	*24*	**2,791,858**	1,184,350
Repayment of bank loans	*24*	**(1,212,674)**	(1,150,488)
Repayment of other loans	*24*	**(90,000)**	(332,700)
Net proceeds from issue of senior notes	*24, 29(f)*	**1,330,129**	1,359,663
Repayment of redemption upon maturity senior notes	*24, 29(c)*	**(1,098,655)**	(792,969)
Net proceeds from issue of corporate bonds	*30*	**–**	2,972,090
Proceeds from shares issued under share option scheme		**12,617**	–
Interest paid	*24*	**(1,228,316)**	(846,479)
Dividend paid		**–**	(240,295)
Dividend paid to non-controlling interests		**(64,859)**	(26,200)
Capital contribution from non-controlling interests		**99,600**	75,968
Net cash generated from financing activities		**539,700**	2,202,940
Net increase in cash and cash equivalents		**1,570,657**	2,269,043
Cash and cash equivalents at 1 January		**9,776,310**	7,422,350
Effect of foreign exchange rate changes		**(63,114)**	84,917
Cash and cash equivalents at 31 December		**11,283,853**	9,776,310

The notes on pages 112 to 220 form part of these financial statements.

1 GENERAL

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B–7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

(i) The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand.

(ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investment property (see note 2(h));
- financial instruments classified as trading securities (see note 2(e)); and
- derivative financial instruments (see note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

(ii) (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(p) or (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 2(l)).

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint ventures (Continued)

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 2(l)).

(e) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any interest or dividends earned on these investments as these are recognised in accordance with the policies set out in notes 2(v)(v) and (vi).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other investments in equity securities (Continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(l)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 2(v)(vi).

When the investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(g)).

(g) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash flow hedges (Continued)

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(v)(iii)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(k).

(i) Property, plant and equipment

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)):

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 2(k)); and

- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(x)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

(i) Property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(l)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(l)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Patents 10 years

Both the period and method of amortisation are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or asset for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(h)) or properties for sale (see note 2(m)).

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible asset; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Properties for sale

Properties for sale are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

(i) Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 2(x)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(ii) Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 2(f)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 2(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payables, using the effective interest method.

(q) Payables

Payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(u)(i), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(u)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer, and collectability of the related receivable is reasonably assured. Revenue from sales of properties with a repurchase clause is recognised when the Group no longer has the obligation to repurchase the properties. Revenue from sales of properties excludes business tax or other sales related taxes and is after deduction of any trade discounts. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under "Receipts in advance".

(ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue recognition (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vi) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where grants that compensate the Group for the cost of an asset, the fair value is included in the statement of financial position under "payables and accruals" and is released to profit or loss over the expected useful life of the relevant asset.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 24 to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service.

Revenue represents income from sales of properties, rental income, revenue from hotel operations and project management service fee income. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2017	2016
	RMB'000	RMB'000
Income from sales of properties	**13,210,985**	9,119,947
Rental income	**94,930**	94,537
Revenue from hotel operations	**265,530**	241,514
Project management service fee income	**307,762**	39,024
	13,879,207	9,495,022

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

5 OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2017 RMB'000	2016 RMB'000
Other revenue		
Interest income on financial assets not at fair value through profit or loss	**91,309**	225,675
Dividend income from equity securities	**13,776**	1,521
Government grants	**1,725**	1,500
	106,810	228,696
Other net income/(loss)		
Net loss on disposals of property, plant and equipment	**(412)**	(295)
Net gain on disposals of subsidiaries *(notes 38(b) and (e))*	**189,647**	813
Net gain/(loss) on deemed disposals of subsidiaries *(notes 38(c) and (f))*	**280**	(18,611)
Net fair value gain on acquisition of subsidiaries *(notes 38(d))*	**–**	66,961
Net gain on disposal of a joint venture	**12,577**	–
Net exchange gain/(loss)	**59,362**	(45,503)
Unrealised (loss)/gain on trading securities	**(1,081)**	19,583
Write down of properties for sale	**(64,766)**	(26,271)
Others	**62,751**	20,923
	258,358	17,600

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2017 RMB'000	2016 RMB'000
(a) Finance costs		
Interest on bank loans	**194,910**	139,603
Interest on other loans	**39,355**	112,751
Interest on amounts due to joint ventures	**–**	107,674
Interest on senior notes	**660,510**	588,331
Interest on corporate bonds	**188,787**	136,229
	1,083,562	1,084,588
Less: Borrowing costs capitalised*	**(846,043)**	(635,237)
	237,519	449,351
Net change in fair value of derivatives embedded in senior notes *(notes 29(a), (b), (c), (d), (e) and (f))*	**170,532**	(48,545)
	408,051	400,806

* Borrowing costs have been capitalised at a rate of 4.35% – 20% per annum (2016: 4.35% – 11.8% per annum).

6 PROFIT BEFORE TAXATION (Continued)

	2017 RMB'000	2016 RMB'000
(b) Staff costs		
Salaries, wages and other benefits	**588,470**	326,582
Including:		
– Retirement scheme contributions	**68,849**	45,243
– Equity settled share-based payment expenses *(note 31(d))*	**12,258**	437

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2017 RMB'000	2016 RMB'000
(c) Other items		
Depreciation and amortisation	**255,448**	228,012
Group auditor's remuneration		
– audit services	**4,546**	4,062
– review and other services	**1,300**	1,280
Local statutory auditors' remuneration		
– audit services	**574**	537
– review and other services	**1,645**	1,760
Cost of properties sold	**10,385,586**	7,019,341
Sponsorship fee for local football events	**137,100**	128,400
Operating lease charges in respect of properties	**30,973**	32,990
Rental income from investment properties	**(28,563)**	(11,911)
Rental income from properties for sale less direct outgoings of RMB1,344,000 (2016: RMB12,354,000)	**(65,023)**	(68,112)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2017	2016
	RMB'000	RMB'000
Current tax *(note 32(a))*		
PRC Corporate Income Tax	**554,960**	373,535
PRC Land Appreciation Tax		
– Provision for the year	**386,314**	274,794
– Over-provision in prior years	**(13,901)**	(49,413)
Withholding tax	**–**	7,092
	927,373	606,008
Deferred tax *(note 32(b))*		
Revaluation of properties	**60,518**	6,474
PRC Land Appreciation Tax	**26,719**	1,097
Others	**26,174**	9,812
	113,411	17,383
	1,040,784	623,391

(i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.

(iii) *PRC Corporate Income Tax ("CIT")*

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2016: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2016: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2016: 25%) on the estimated assessable profits for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

(iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值税暫行條例實施細則》) effective from 27 January 1995, 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, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

(v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 12%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017	2016
	RMB'000	RMB'000
Profit before taxation	**1,940,066**	1,027,511
Tax on profit before tax, calculated at 25% (2016: 25%)	**485,017**	256,878
Difference in tax rates for certain subsidiaries	**68,069**	31,826
Tax effect of non-taxable income	**(76,333)**	(33,090)
Tax effect of non-deductible expenses	**194,374**	131,262
Tax effect of unused tax losses not recognised	**104,591**	65,863
Utilisation of tax loss not recognised in prior years	**(14,244)**	(5,476)
Over-provision of LAT in prior years	**(13,901)**	(49,413)
Withholding tax	**–**	7,092
LAT	**386,314**	274,794
Tax effect of LAT	**(93,103)**	(56,345)
Income tax expense	**1,040,784**	623,391

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

2017

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	676	–	–	–	676
Yan Yingchun	–	997	–	–	1,316	2,313
Liu Weixing (Appointed on 24 March 2017)	–	6,360	51	514	2,633	9,558
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wallis Wu (alias Li Hua)	–	225	11	–	–	236
Independent non-executive directors						
Cheung Shek Lun	208	–	–	–	–	208
Xin Luo Lin	208	–	–	–	–	208
Muk Kin Yau	208	–	–	–	–	208
Chief executive						
Yuan Xujun (Appointed on 24 March 2017)	–	3,784	–	539	2,633	6,956
Chen Jianye (Resigned on 24 March 2017)	–	931	–	–	–	931
Total	798	12,973	62	1,053	6,582	21,468

8 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2016

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments *(note)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Wu Po Sum	–	4,423	–	–	–	4,423
Yan Yingchun	–	1,077	–	–	9	1,086
Non-executive directors						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wallis Wu (alias Li Hua)	–	227	11	–	–	238
Independent non-executive directors						
Cheung Shek Lun	209	–	–	–	–	209
Xin Luo Lin	209	–	–	–	–	209
Muk Kin Yau	209	–	–	–	–	209
Chief executive						
Chen Jianye	–	2,655	29	1,244	–	3,928
Total	801	8,382	40	1,244	9	10,476

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 31.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2016: one) is director and one (2016: Nil) is CEO whose emolument are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2016: four) individuals are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,100**	9,631
Discretionary bonuses	**7,375**	1,244
Share-based payments	**1,141**	–
Retirement scheme contributions	**56**	60
	14,672	10,935

The emoluments of these three (2016: four) individuals with the highest emoluments are within the following bands:

	2017	2016
HKD2,000,001 to HKD2,500,000	**–**	2
HKD3,000,001 to HKD3,500,000	**–**	1
HKD4,500,001 to HKD5,000,000	**–**	1
HKD5,000,001 to HKD5,500,000	**1**	–
HKD5,500,001 to HKD6,000,000	**1**	–
HKD8,500,001 to HKD9,000,000	**1**	–

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB811,365,000 (2016: RMB402,973,000) and the weighted average of 2,444,333,701 ordinary shares (2016: 2,442,270,760 ordinary shares) in issue during the year, calculated as follows:

	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**2,442,271**	2,442,271
Effect of share options exercised *(note 33(a))*	**2,063**	–
Weighted average number of ordinary shares at 31 December	**2,444,334**	2,442,271

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of RMB811,365,000 (2016: RMB402,973,000) and the weighted average number of ordinary shares of 2,462,316,916shares (2016: 2,442,270,760 shares), calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2017	2016
	RMB'000	RMB'000
Profit attributable to equity shareholders (diluted)	**811,365**	402,973

(ii) Weighted average number of ordinary shares (diluted)

	2017	2016
	'000	'000
Weighted average number of ordinary shares at 31 December	**2,444,334**	2,442,271
Effect of deemed issue of shares under the Company's share option scheme	**17,983**	–
Weighted average number of ordinary shares (diluted) at 31 December	**2,462,317**	2,442,271

11 SEGMENT REPORTING

(a) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

(b) Revenue from major services

The Group's revenue from its major services is set out in note 4.

11 SEGMENT REPORTING (Continued)

(c) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan Province in the PRC.

12 PROPERTY, PLANT AND EQUIPMENT

2017

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2017	**285,305**	**2,599,828**	**434,022**	**354,756**	**50,934**	**3,724,845**
Additions	**14,641**	**3,360**	**959,843**	**12,276**	**8,191**	**998,311**
Disposals	**–**	**(951)**	**–**	**(3,282)**	**(6,996)**	**(11,229)**
Transfer	**–**	**13,108**	**(16,515)**	**4,707**		**1,300**
Acquisitions of subsidiaries *(note 38(a))*	**–**	**5,900**	**–**	**2,477**	**2,373**	**10,750**
Disposals of subsidiaries *(note 38(b))*	**–**	**–**	**–**	**(662)**	**(454)**	**(1,116)**
Deemed disposal of a subsidiary *(note 38(c))*	**–**	**–**	**–**	**(345)**	**–**	**(345)**
At 31 December 2017	**299,946**	**2,621,245**	**1,377,350**	**369,927**	**54,048**	**4,722,516**
Accumulated depreciation and amortisation:						
At 1 January 2017	**(41,752)**	**(398,392)**	**–**	**(220,390)**	**(39,509)**	**(700,043)**
Charge for the year	**(6,557)**	**(143,519)**	**–**	**(78,532)**	**(5,550)**	**(234,158)**
Written back on disposals	**–**	**887**	**–**	**2,586**	**6,864**	**10,337**
Acquisitions of subsidiaries *(note 38(a))*	**–**	**(3,766)**	**–**	**(1,643)**	**(754)**	**(6,163)**
Disposals of subsidiaries *(note 38(b))*	**–**	**–**	**–**	**252**	**358**	**610**
Deemed disposal of a subsidiary *(note 38(c))*	**–**	**–**	**–**	**241**	**–**	**241**
At 31 December 2017	**(48,309)**	**(544,790)**	**–**	**(297,486)**	**(38,591)**	**(929,176)**
Net book value:						
At 31 December 2017	**251,637**	**2,076,455**	**1,377,350**	**72,441**	**15,457**	**3,793,340**

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2016

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:						
At 1 January 2016	285,174	2,452,861	299,070	309,393	48,815	3,395,313
Additions	131	20,966	279,278	48,766	5,154	354,295
Disposals	–	(171)	–	(3,427)	(2,783)	(6,381)
Transfer	–	144,326	(144,326)	–	–	–
Acquisitions of subsidiaries *(note 38(d))*	–	2,438	–	1,629	–	4,067
Disposals of subsidiaries *(note 38(e))*	–	–	–	(286)	(249)	(535)
Deemed disposals of subsidiaries *(note 38(f))*	–	(20,592)	–	(1,319)	(3)	(21,914)
At 31 December 2016	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Accumulated depreciation and amortisation:						
At 1 January 2016	(33,304)	(265,928)	–	(160,216)	(33,685)	(493,133)
Charge for the year	(8,448)	(133,919)	–	(62,689)	(7,956)	(213,012)
Written back on disposals	–	54	–	2,373	2,100	4,527
Acquisitions of subsidiaries *(note 38(d))*	–	(145)	–	(1,123)	–	(1,268)
Disposals of subsidiaries *(note 38(e))*	–	–	–	187	30	217
Deemed disposals of subsidiaries *(note 38(f))*	–	1,546	–	1,078	2	2,626
At 31 December 2016	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Net book value:						
At 31 December 2016	243,553	2,201,436	434,022	134,366	11,425	3,024,802

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

	2017	2016
	RMB'000	RMB'000
Long leases	**7,230**	7,430
Medium-term leases	**244,406**	236,123
	251,636	243,553

All the property, plant and equipment of the Group are located in the PRC.

Certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans (2016: the Group's bank loans or other loans). Details are set out in note 25.

At 31 December 2017, the Group's property, plant and equipment of RMB160,050,000 (2016: RMB160,050,000) were pledged as securities of a joint venture's other loan.

13 INVESTMENT PROPERTIES

	Total
	RMB'000
At 1 January 2016	442,870
Transfer from properties for sale	105,777
Change in fair value	27,223
At 31 December 2016	575,870
Representing:	
Valuation – 2016	575,870
At 1 January 2017	**575,870**
Transfer from properties for sale	**477,730**
Change in fair value	**243,400**
At 31 December 2017	**1,297,000**
Representing:	
Valuation – 2017	**1,297,000**

Note: Properties held for sale of RMB477,730,000 were transferred from "properties for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB215,274,000 had been recognised in the consolidated income statement.

13 INVESTMENT PROPERTIES (Continued)

(a) The analysis of fair value of investment properties is set out as follows:

	2017	2016
	RMB'000	RMB'000
In the PRC		
– long leases	**246,900**	324,300
– medium-term leases	**1,050,100**	251,570
	1,297,000	575,870

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(i) Fair value hierarchy (Continued)

– Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2017 RMB'000	**Fair value measurements as at 31 December 2017 categorised into**		
		Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement				
Investment properties:				
– In the PRC	**1,297,000**	**–**	**–**	**1,297,000**

	Fair value at 31 December 2016 RMB'000	Fair value measurements as at 31 December 2016 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Investment properties:				
– In the PRC	575,870	–	–	575,870

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2017 and 2016. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

13 INVESTMENT PROPERTIES (Continued)

(b) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties In the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.42 to 8.51 (2016: 0.43 to 1.70)	3.09 (2016: 0.76)
		Capitalisation rates	4.5% to 7.0% (2016: 4.0% to 7.0%)	5.36% (2016: 4.69%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 13.

Fair value adjustment of investment properties is recognised in the line item "net valuation gain on investment properties" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

(c) Investment properties leased out under operating leases

The Group leases out its investment properties under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**24,767**	10,795
After 1 year but within 5 years	**86,843**	38,481
After 5 years	**47,444**	5,799
	159,054	55,075

14 INTANGIBLE ASSETS

	Patent RMB'000
Cost:	
At 1 January 2016	150,000
Addition during the year	–
At 31 December 2016	150,000
At 1 January 2017	150,000
Addition during the year	94,340
At 31 December 2017	244,340
Accumulated amortisation:	
At 1 January 2016	(3,750)
Charge for the year	(15,000)
At 31 December 2016	(18,750)
At 1 January 2017	(18,750)
Charge for the year	(21,290)
At 31 December 2017	(40,040)
Net book value:	
At 31 December 2017	204,300
At 31 December 2016	131,250

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

15 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China Real Estate Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Wholly owned foreign enterprise
Baofeng Central China Taihe City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	80%	Property development	Limited liability company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB171,060,000 (2016: RMB10,000,000)	–	100%	Hotel Management	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB598,120,000 (2016: RMB30,000,000)	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Provision of financial services	Limited liability company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Jiaozuo Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate He Bi Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Changge Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Consulting property investment, leasing and management	Limited liability company
Henan Central China Construction Design Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Designing	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Culture Travelling Property Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Kaipu Commercial Development Company Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB735,180,000 (2016: RMB15,000,000)	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US$14,618	100%	–	Investments holding	Private company
Kaifeng Central China Enterprise Management Consultancy Company Limited*	Henan, the PRC	RMB10,000,000	–	85%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Linying Central China City Construction Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Jianye Culture Tourism Industry Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Travel	Limited liability company
Luoyang Liye Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Nanyang Central China Real Estate Company Limited*	Henan, the PRC	RMB10,537,000	–	100%	Property development	Wholly owned foreign enterprise
Pingdingshan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Pingdingshan Central China Real Estate Company Limited*	Henan, the PRC	RMB28,000,000	–	100%	Property development	Wholly owned foreign enterprise
Puyang Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Wholly owned foreign enterprise
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shuiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Wugang Central China Zhizun Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China Real Estate Company Limited*	Henan, the PRC	RMB44,900,000	–	100%	Property development	Limited liability company
Xinxiang Jinlong Central China Real Estate Company Limited*	Henan, the PRC	RMB2,000,000	–	60%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	72% (2016: 80%)	Property development	Wholly owned foreign enterprise
Xuchang Jinyue Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	70%	Property development	Limited liability company
Xuchang One City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yanshi Yaxin Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	60%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited	Henan, the PRC	RMB100,000,000	–	90%	Property development	Limited liability company
Yuzhou New Plaza Construction & Development Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company
Zhengzhou Ansheng Geological Cuture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Central China Kairun Real Estate Company Limited*	Henan, the PRC	RMB50,000,000	–	85%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Luyuan Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Wholly owned foreign enterprise
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian Jiandong Zhiye Company Limited*	Henan, the PRC	RMB10,000,000	–	60%	Property development	Limited liability company
Anyang Cheer World Management and Consulting Services Company Limited*	Henan, the PRC	RMB100,000,000	–	55%	Consulting	Limited liability company
Beijing Lande Huifeng Real Estate Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan Jiaheng Properties Company Limited*	Henan, the PRC	RMB30,000,000	–	55%	Property development	Limited liability company
Zhumadian City Chuncheng Properties Company Limited*	Henan, the PRC	RMB20,400,000	–	51%	Property development	Limited liability company
Shangqiu Jinshengyuan Industrial Company Limited*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Shangqiu Xindu Properties Company Limited.*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yuzhou Cheer World Construction Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xuchang Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company
Changge City Yicheng Real Estate Development Company Limited*	Henan, the PRC	RMB16,000,000	–	63.65%	Property development	Limited liability company
Luohe Yongtuo Properties Company Limited*	Henan, the PRC	RMB11,000,000	–	100%	Property development	Limited liability company
Henan Senyuan Central China City Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Shangqiu City Zhiyuan Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Jiaozuo Shihefu Properties Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

15 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Jiaozuo Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Qinyang City Cheer World Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company

* KPMG are not statutory auditors of these subsidiaries.

Note: The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

16 INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**122,746**	7,168
Amounts due from associates	**413,803**	20,000
	536,549	27,168

Amounts due from associates are unsecured, interest-free and has no fixed terms of repayment, and is expected to be recovered after more than one year.

The following list contains the Group's material associate, which is unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhengzhou Jinrongdao Construction and Development Company Limited*	Henan, the PRC	RMB600,000,000	–	20%	Property development	Limited liability company

* KPMG is not the statutory auditor of the associate.

Note: The English name of the Group's associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

16 INTERESTS IN ASSOCIATES (Continued)

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Zhengzhou Jinrongdao Construction and Development Company Limited 2017 RMB'000
Gross amounts of the associate's	
Current assets	**2,213,223**
Non-current assets	**1,239**
Current liabilities	**(1,620,386)**
Non-current liabilities	**–**
Equity	**594,076**
Revenue	**–**
Loss from continuing operations	**(5,925)**
Post-tax profit or loss from discontinued	**–**
Other comprehensive income	**–**
Total comprehensive income	**(5,925)**
Dividend received from the associate	**–**
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	**594,076**
Group's effective interest	**20.00%**
Group's share of net assets of the associate	**118,815**
Amount due from the associate	**329,470**
Carrying amount in the consolidated financial statements	**448,285**

16 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**88,264**	27,168
Aggregate amounts of the Group's share of those associates'		
Loss from continuing operations	**(3,237)**	(1,160)
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**(3,237)**	(1,160)

17 INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	RMB'000
Share of net assets	**3,642,625**	3,490,712
Amounts due from joint ventures	**5,383,752**	2,785,379
	9,026,377	6,276,091

Amounts due from joint ventures, except for amounts of RMB1,912,713,000 (2016: RMB1,450,042,000) which are interest bearing at 10% – 12% per annum, are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered more than one year.

As at 31 December 2017, the Group's interest in a joint venture with carrying amount of RMB53,197,000 (2016: RMBNil) was pledged against the Group's bank loan of RMB546,000,000 (2016: RMBNil) (see note 25).

17 INTERESTS IN JOINT VENTURES (Continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	66.66%	Property development	Limited company
Henan Central China Union Zhiye Company Limited* *(note (a))*	Henan, the PRC	RMB960,000,000	–	– (2016: 65.63%)	Property development	Limited company
Henan Central China Hengxin Property Company Limited*	Henan, the PRC	RMB220,000,000	–	28.57%	Property development	Limited company
Henan Central China Taihong Real Estate Limited*	Henan, the PRC	RMB231,020,000	–	51.00%	Property development	Limited company
Henan Cental China Fuju Investment Company Limited*	Henan, the PRC	RMB100,000,000	–	45.00%	Property development	Limited company
Kaifeng Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Xinyang Tianheng Real Estate Company Limited*	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited company
Henan Longyu Real Estate Company Limited* *(note (a) and (b))*	Henan, the PRC	RMB77,000,000	–	60.00% (2016: 70%)	Property development	Limited company
Zhengzhou Jianye Eighteen Cities Zhiye Company Limited* *(note (d))*	Henan, the PRC	RMB200,000,000	–	50.00%	Property development	Limited company
Zhengzhou Anyong Properties Limited* *(note (c))*	Henan, the PRC	RMB20,000,000	–	80.00%	Property development	Limited company

* KPMG are not the statutory auditors of these joint ventures.

17 INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.

(b) On 31 March 2017, the Group entered into an equity transfer agreement with Zhongyuan Trust Company Limited ("Zhongyuan Trust") to acquire 34.375% equity interest in Henan Central China Union Zhiye Company Limited ("CCRE Union Zhiye") at the consideration of RMB330,000,000.

On 31 March 2017, the Group entered into an equity transfer agreement with Changjiang Treasure Assets Management Company Limited ("Changjiang Treasure") to acquire 30% equity interest in Henan Longyu Real Estate Company Limited ("Henan Longyu") at the consideration of RMB124,949,000.

Upon completion of the above transactions, CCRE Union Zhiye and Henan Longyu became wholly-owned subsidiaries of the Group. Details are set out in note 38(a).

(c) On 27 December 2017, the Group entered into an equity transfer agreement with Bridge Trust Company Limited ("Bridge Trust") to transfer 40% equity interest in Henan Longyu at the consideration of RMB145,000,000.

On 30 June 2017, the Group entered into the Cooperation Framework Agreement, Equity Transfer Agreement, Loan Agreement and Equity Transfer Agreement on Investment Withdrawal (together as the "Framework Agreements") with 上海中城勇逸投資中心（有限合夥）(For identification purpose only, in English, Shanghai Zhongcheng Yongyi Investment Center (Limited Partnership) ("Zhongcheng Fund") and, on 21 July 2017, the Group and Zhongcheng Fund entered into the second supplemental agreement to the Cooperation Framework Agreement, Supplemental Equity Transfer Agreement and Supplemental Loan Agreement (together as the "Supplemental Agreements") for the amendments of the terms of Framework Agreements. Pursuant to which the Group agreed to sell and Zhongcheng Fund agreed to acquire 20% equity interest in 鄭州安永置業有限公司 (For identification purpose only, in English, Zhengzhou Anyong Properties Limited ("Zhengzhou Anyong")) at the consideration of RMB150,000,000. The details are disclosed in the relevant announcements dated 3 July 2017 and 21 July 2017 issued by the Company.

Upon completion of the above transactions, neither Bridge Trust and Zhongcheng Fund nor the Group has controlling power over the board of directors pursuant to the articles of associations. Details are set out in note 38(b).

The net gain on disposals of Henan Longyu and Zhengzhou Anyong of RMB189,647,000 was recognised in profit or loss during the year (note 5).

(d) On 9 May 2017, Wuhu Yuanxiang Jiada Investment Management Centre Limited Partnership ("Wuhu Yuanxiang") invested in Zhengzhou Jianye Eighteen Cities Zhiye Company Limited ("Zhengzhou Eighteen Cities"), which was previously a wholly-owned subsidiary of the Group. After the investment by Wuhu Yuanxiang, Zhengzhou Eighteen Cities is regarded as a joint ventures as neither Wuhu Yuanxiang nor the Group has controlling power over the board of directors pursuant to the articles of association. Details are set out in note 38(c).

The net gain on deemed disposals of Zhengzhou Eighteen Cities of RMB280,000 was recognised in profit or loss during the year (note 5).

The above joint ventures strengthen the Group's property development business in Henan, the PRC.

All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

17 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Zhengzhou Central China Tianming Property Company Limited		CCRE Union Zhiye		Henan Central China Hengxin Property Company Limited		Henan Central China Taihong Real Estate Limited		Henan Cental China Fuju Investment Company Limited		Kaifeng Central China Real Estate Company Limited		Xinyang Tianheng Real Estate Company Limited		Henan Longyu		Zhengzhou Eighteen Cities	Zhengzhou Anyong
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000	2017 RMB'000	2017 RMB'000
Gross amounts of joint ventures																		
Current assets	**4,901,836**	4,339,002	**-**	1,439,480	**5,024,892**	3,908,970	**4,862,009**	4,272,779	**9,879,503**	8,665,833	**1,529,825**	1,334,733	**632,227**	623,170	**1,983,035**	2,728,524	**2,725,422**	**1,242,240**
Non-current assets	**18,191**	79,741	**-**	4,308	**84,980**	77,521	**22,506**	23,795	**166,846**	14,981	**176,051**	121,587	**1,923**	981	**1,898**	48,182	**58**	**7,874**
Current liabilities	**(2,959,590)**	(2,129,929)	**-**	(186,992)	**(2,526,196)**	(2,132,259)	**(4,135,416)**	(2,804,523)	**(7,754,349)**	(6,370,814)	**(425,633)**	(186,148)	**(574,131)**	(559,957)	**(743,046)**	(1,138,529)	**(1,274,431)**	**(724,827)**
Non-current liabilities	**-**	(360,000)	**-**	(269,800)	**(1,970,000)**	(1,400,000)	**(476,300)**	(1,250,000)	**(2,292,000)**	(2,310,000)	**-**	-	**-**	-	**(878,500)**	(1,148,000)	**(1,265,898)**	-
Equity	**1,960,437**	1,928,814	**-**	986,996	**613,676**	454,232	**272,799**	242,051	**-**	-	**1,280,243**	1,270,172	**60,019**	64,194	**363,387**	490,183	**185,151**	**525,287**
Included in the above assets and liabilities:																		
Cash and cash equivalents	**20,234**	421,842	**-**	146,682	**46,848**	181,895	**229,964**	391,556	**447,940**	862,886	**3,092**	18,564	**3,770**	3,134	**11,267**	229,053	**4,241**	**12,675**
Current financial liabilities (excluding trade and other payables and provisions)	**(730,000)**	-	**-**	-	**-**	-	**(530,000)**	(185,900)	**-**	-	**-**	-	**-**	-	**(8,940)**	-	**-**	**-**
Non-current financial liabilities (excluding trade and other payables and provisions)	**-**	(360,000)	**-**	(269,800)	**(950,000)**	(1,400,000)	**(476,300)**	(1,250,000)	**(2,292,000)**	(2,310,000)	**-**	-	**-**	-	**(878,500)**	(1,148,000)	**(1,265,898)**	**-**
Revenue	**2,054,578**	783,807	**8,254**	194,967	**1,868,095**	-	**460,781**	614,376	**-**	-	**125,550**	60,962	**-**	-	**-**	39,106	**-**	**-**
Profit/(loss) from continuing operations	**35,198**	108,655	**463**	1,330	**163,329**	16,147	**120,749**	104,794	**-**	(52,164)	**10,487**	5,381	**(4,175)**	(1,998)	**(34,514)**	10,367	**(2,646)**	**(3,596)**
Total comprehensive income	**35,198**	108,655	**463**	1,330	**163,329**	-	**120,749**	104,794	**-**	(52,164)	**10,487**	5,381	**(4,175)**	(1,998)	**(34,514)**	10,367	**(2,646)**	**(3,596)**
Dividend received from the joint ventures	**-**	66,670	**-**	-	**-**	-	**45,900**	51,000	**-**	-	**-**	-	**-**	-	**-**	6,300	**-**	**-**
Included in the above profit/(loss):																		
Depreciation and amortisation	**(124)**	(121)	**-**	(144)	**(177)**	(171)	**(1,644)**	(1,517)	**(230)**	(467)	**(2,692)**	(647)	**(39)**	-	**(60)**	(144)	**-**	**-**
Interest income	**3,787**	1,701	**-**	213	**1,704**	1,190	**18,069**	2,679	**4,766**	2,024	**78**	141	**4**	6	**1,510**	1,612	**85**	**-**
Interest expense	**-**	-	**-**	(17,716)	**-**	-	**-**	-	**-**	-	**-**	(2,707)	**-**	-	**-**	-	**-**	**-**
Income tax expense	**(182,434)**	(110,515)	**(154)**	(846)	**(69,176)**	(6,519)	**(49,736)**	(76,875)	**-**	-	**22,606**	(1,881)	**927**	-	**-**	(25,622)	**-**	**-**
Reconciled to the Group's interests in joint ventures																		
Gross amounts of net assets of the joint ventures	**1,960,437**	1,928,814	**-**	986,996	**613,676**	454,232	**272,799**	242,051	**-**	-	**1,280,243**	1,270,172	**60,019**	64,194	**363,387**	490,183	**185,151**	**525,287**
Group's effective interest	**66.66%**	66.66%	**0.00%**	65.63%	**28.57%**	28.57%	**51.00%**	51.00%	**45.00%**	45.00%	**60.00%**	60.00%	**50.31%**	50.31%	**60.00%**	70.00%	**50.00%**	**80.00%**
Group's share of net assets of the joint ventures	**1,306,827**	1,285,876	**-**	647,716	**175,327**	129,781	**139,127**	123,446	**-**	-	**768,146**	762,103	**30,196**	32,296	**218,032**	343,128	**92,576**	**420,230**
Amount due from joint ventures	**23,503**	31,030	**-**	4,563	**15,664**	4,840	**-**	336	**2,329,824**	2,319,324	**222,733**	47,392	**310,831**	300,408	**15,375**	14,414	**1,273,909**	**474,028**
Carrying amount in the consolidated financial statements	**1,330,330**	1,316,906	**-**	652,279	**190,991**	134,621	**139,127**	123,782	**2,329,824**	2,319,324	**990,879**	809,495	**341,027**	332,704	**233,407**	357,542	**1,366,485**	**894,258**

17 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2017	2016
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	**1,210,049**	587,316
Aggregate amounts of the Group's share of those joint ventures'		
Profit/(loss) from continuing operations	**91,099**	(4,822)
Total comprehensive income	**91,099**	(4,822)

18 OTHER FINANCIAL ASSETS

	2017	2016
	RMB'000	RMB'000
Unlisted equity securities, at cost		
– in the PRC	**486,366**	190,080

The unlisted equity securities of the Group do not have quoted market price in active market and were stated at cost at 31 December 2017 and 2016.

19 TRADING SECURITIES

	2017	2016
	RMB'000	RMB'000
Listed equity securities at fair value		
– in Hong Kong	**97,105**	105,868

20 PROPERTIES FOR SALE

	2017 RMB'000	2016 RMB'000
Properties held for future development and under development for sale	**19,785,224**	11,924,548
Completed properties held for sale	**4,555,990**	6,101,981
	24,341,214	18,026,529

At 31 December 2017, properties for sale of RMB24,341,214,000 (2016: RMB18,026,529,000) are net of a provision of RMB149,085,000 (2016: RMB87,483,000) in order to state these properties at the lower of their cost and estimate net realisable value.

(a) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2017 RMB'000	2016 RMB'000
In the PRC		
– long leases	**11,370,264**	5,531,470
– medium-term leases	**2,535,776**	1,404,179
	13,906,040	6,935,649

(b) The amount of properties for sale expected to be recovered after more than one year is analysed as follows:

	2017 RMB'000	2016 RMB'000
Properties held for future development and under development for sale	**14,700,271**	8,715,359

(c) Certain of the Group's properties for sale was pledged as securities for the Group's bank loan. Details are set out in note 25.

At 31 December 2017, the Group's properties for sale of RMBNil (2016: RMB306,273,000) were pledged as securities for a joint venture's other loan.

20 PROPERTIES FOR SALE (Continued)

(d) The Group temporarily leased out certain completed properties held for sale under operating leases. The lease runs for an initial period of one to five years. The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year	**119,230**	108,511
After 1 year to 5 years	**166,246**	236,164
After 5 years	**333,414**	422,389
	618,890	767,064

The directors confirm that the Group intends to sell the properties together with the respective leases.

(e) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2017	2016
	RMB'000	RMB'000
Carrying amount of inventories sold	**10,385,586**	7,023,920
Write down of inventories	**64,766**	26,271
Reversal of write-down of inventories	**–**	(4,579)
	10,450,352	7,045,612

21 TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Bills receivables *(note (a))*	**2,900**	6,794
Trade receivables *(note (a))*	**79,454**	42,926
Other receivables	**898,013**	470,885
Amounts due from related companies *(note (b))*	**35,501**	106,684
Amounts due from non-controlling interests *(note (c))*	**590,619**	184,548
Derivative financial instruments *(notes 29(a), (b), (d) and (f))*	**43,849**	61,691
Others	**14,085**	14,085
	1,664,421	887,613

21 TRADE AND OTHER RECEIVABLES (Continued)

(a) The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and all of which are neither individually nor collectively considered to be impaired, is as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 month	**32,853**	19,707
1 to 3 months	**2,593**	1,727
3 to 6 months	**6,199**	3,650
6 to 12 months	**24,131**	16,733
Over 1 year	**16,578**	7,903
	82,354	49,720

The Group's credit policy is set out in note 34(b).

Based on assessment, management believes that no impairment allowance is necessary in respect of the overdue balances and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) The amounts due from a related company of RMB35,486,000 (2016: Nil) represents the prepaid expected basic return to the trust manager of joint ventures, Ping'an Trust Company Limited, according to the cooperation agreements. The amount is unsecured, interest-free and has no fixed terms of repayment.

The remaining amounts due from related companies are unsecured, and have no fixed terms of repayment.

(c) The amounts due from non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

22 DEPOSITS AND PREPAYMENTS

At 31 December 2017, the balance included deposits and prepayments for leasehold land of RMB3,829,342,000 (2016: RMB2,220,145,000).

23 RESTRICTED BANK DEPOSITS

	2017	2016
	RMB'000	RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	**1,634,073**	958,348
– bills payable	**490,989**	440,447
– Bank loans *(note 25(b))*	**–**	6,026
	2,125,062	1,404,821

24 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 *Note 25*	Other loans RMB'000 *Note 26*	Senior notes RMB'000 *Note 29*	Corporate bonds RMB'000 *Note 30*	Options embedded in senior notes RMB'000 *Note 21*	Foreign exchange swap contracts RMB'000 *Note 21 and 27*	Held as cash flow hedging instrument RMB'000 *Note 27*	Other accruals RMB'000	Total RMB'000
At 1 January 2017	2,365,440	390,000	8,622,486	2,978,128	(34,617)	(27,074)	159,394	383,959	14,837,716
Changes from financing cash flows:									
Proceeds from new bank loans	2,791,858	–	–	–	–	–	–	–	2,791,858
Repayment of bank loans	(1,212,674)	–	–	–	–	–	–	–	(1,212,674)
Repayment of other loans	–	(90,000)	–	–	–	–	–	–	(90,000)
Proceeds from new senior notes	–	–	1,330,129	–	–	–	–	–	1,330,129
Repayment of redemption upon maturity senior notes	–	–	(1,098,655)	–	–	–	–	–	(1,098,655)
Interest paid	(133,792)	(39,355)	(875,168)	(180,001)	–	–	–	–	(1,228,316)
Total changes from financing cash flows	1,445,392	(129,355)	(643,694)	(180,001)	–	–	–	–	492,342
Exchange adjustments	(46,807)	–	(463,268)	–	3,010	(2,310)	–	–	(509,375)
Changes in fair value	–	–	–	–	(12,242)	108,549	–	–	96,307
Other changes:									
Interest expenses *(note 6(a))*	49,431	25,035	316,318	23,637	–	–	(159,394)	56,717	311,744
Capitalised borrowing costs *(note 6(a))*	88,762	14,320	577,811	165,150	–	–	–	–	846,043
Acquisition of subsidiaries *(note 38(a))*	1,022,800	–	–	–	–	–	–	–	1,022,800
Disposal of subsidiaries *(note 38(b))*	(1,037,440)	–	–	–	–	–	–	–	(1,037,440)
Total other changes	123,553	39,355	894,129	188,787	–	–	(159,394)	56,717	1,143,147
At 31 December 2017	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	–	440,676	16,060,137

25 BANK LOANS

(a) At 31 December 2017, the bank loans were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year or on demand	**450,118**	514,265
After 1 year but within 2 years	**986,674**	393,695
After 2 years but within 5 years	**1,785,876**	683,985
After 5 years	**664,910**	773,495
	3,437,460	1,851,175
	3,887,578	2,365,440

(b) At 31 December 2017, the bank loans were secured as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
– secured	**2,003,125**	1,650,440
– unsecured	**1,884,453**	715,000
	3,887,578	2,365,440

At 31 December 2017, the secured bank loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2017 RMB'000	2016 RMB'000
Properties for sale	**721,365**	2,271,039
Property, plant and equipment	**792,220**	831,650
Restricted bank deposits *(note 23)*	**–**	6,026
Interest in a joint venture	**53,197**	–
	1,566,782	3,108,715

25 BANK LOANS (Continued)

(c) The effective interest rates of bank loans of the Group at 31 December 2017 were ranged from 4.35% – 6.50% (2016: 4.35% – 7.34%) per annum.

(d) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(c). At 31 December 2017 and 2016, none of the covenants relating to drawn down facilities had been breached.

26 OTHER LOANS

(a) At 31 December 2017, other loans were repayable as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year	**90,000**	90,000
After 1 year but within 2 years	**90,000**	90,000
After 2 years but within 5 years	**90,000**	180,000
After 5 years	**30,000**	30,000
	210,000	300,000
	300,000	390,000

(b) At 31 December 2017, the other loans were unsecured (2016: unsecured) as follows:

	2017	2016
	RMB'000	RMB'000
Other loans		
– secured	**–**	–
– unsecured	**300,000**	390,000
	300,000	390,000

(c) The effective interest rates of other loans of the Group at 31 December 2017 were ranged from 1.2% – 7% (2016: 1.2% – 7%) per annum.

27 PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Bills payable *(note (a))*	**1,939,729**	334,633
Trade payables *(note (a))*	**6,511,237**	5,004,184
Other payables and accruals	**3,292,389**	2,453,910
Patent payable	**35,000**	45,000
Amounts due to joint ventures *(note (b))*	**9,345,717**	6,642,758
Amounts due to non-controlling interests *(note (c))*	**830,852**	202,161
Derivative financial instruments		
– held as cash flow hedging instrument	**–**	159,394
– foreign exchange swap contracts *(note 29(e))*	**79,165**	–
	22,034,089	14,842,040

At 31 December 2017, included in payables and accruals are retention payable of RMB47,993,000 (2016: RMB35,760,000) which are expected to be settled more than one year.

Notes:

(a) As of the end of the reporting period, the ageing analysis of bills and trade payables based on the invoice date is as follows:

	2017 RMB'000	2016 RMB'000
Within 1 month	**1,817,736**	2,090,689
1 – 3 months	**1,711,165**	789,930
3 – 6 months	**2,281,060**	760,841
6 – 12 months	**1,035,045**	416,262
Over 12 months	**1,605,960**	1,281,095
	8,450,966	5,338,817

(b) The amounts due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(c) The amounts due to non-controlling interest included amounts of RMB105,000,000 (2016: RMB76,634,000) which are unsecured, interest bearing at 10% (2016: 4.35%) per annum and have no fixed terms of repayment.

The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of repayment.

28 RECEIPTS IN ADVANCE

Receipts in advance mainly represent sale proceeds in connection with pre-sale of properties.

29 SENIOR NOTES

Liability component of the Senior Notes:

	2017 **RMB'000**	2016 RMB'000
US$200m Senior Notes *(note (a))*	**1,295,951**	1,396,432
US$400m Senior Notes *(note (b))*	**2,596,209**	2,795,026
SGD200m Senior Notes *(note (c))*	**–**	960,216
US$300m Senior Notes *(note (d))*	**1,937,635**	2,087,429
US$200m Senior Notes due in 2021 *(note (e))*	**1,285,374**	1,383,383
US$200m Senior Notes due in 2018 *(note (f))*	**1,294,484**	–
	8,409,653	8,622,486
Less: amount due for maturity within 12 months (classified as current liabilities)	**(3,890,692)**	(960,216)
	4,518,961	7,662,270

(a) On 21 January 2013, the Company issued senior notes with principal amount of US$200,000,000 due in 2020 ("US$200m Senior Notes"). The senior notes are interest bearing at 8% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 28 January 2020. At any time and from time to time on or after 28 January 2017, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 28 January 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(a) (Continued)

The movements of US$200m Senior Notes are set out below:

	Liability component of the senior notes *(Note 29(a)(i))* RMB'000	Redemption call option *(Notes 21 and 29(a)(ii))* RMB'000	Total RMB'000
At 1 January 2016	1,252,269	(3,208)	1,249,061
Interest and transaction costs amortised	1,357	–	1,357
Change in fair value *(note 6(a))*	–	(15,380)	(15,380)
Exchange difference	142,806	(823)	141,983
At 31 December 2016	1,396,432	(19,411)	1,377,021
At 1 January 2017	**1,396,432**	**(19,411)**	**1,377,021**
Interest and transaction costs amortised	**1,457**	**–**	**1,457**
Change in fair value *(note 6(a))*	**–**	**(6,155)**	**(6,155)**
Exchange difference	**(101,938)**	**1,659**	**(100,279)**
At 31 December 2017	**1,295,951**	**(23,907)**	**1,272,044**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.13% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.8% (2016: 5.7%)

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(b) On 22 May 2013, the Company issued senior notes with principal amount of US$400,000,000 due in 2018 ("US$400m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 4 June 2018. At any time and from time to time on or after 4 June 2016, the Company may at its option redeem the senior notes, in whole or in part, at a predetermined redemption price. In addition, at any time prior to 4 June 2016, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The movements of US$400m Senior Notes are set out below:

	Liability component of the senior notes *(Note 29(b)(i))* RMB'000	**Redemption call option** *(Notes 21 and 29(b)(ii))* RMB'000	**Total** RMB'000
At 1 January 2016	2,504,350	(2,265)	2,502,085
Interest and transaction cost amortised	5,016	–	5,016
Change in fair value *(note 6(a))*	–	(340)	(340)
Exchange difference	285,660	(268)	285,392
At 31 December 2016	2,795,026	(2,873)	2,792,153
At 1 January 2017	**2,795,026**	**(2,873)**	**2,792,153**
Interest and transaction cost amortised	**5,310**	**–**	**5,310**
Change in fair value *(note 6(a))*	**–**	**2,638**	**2,638**
Exchange difference	**(204,127)**	**105**	**(204,022)**
At 31 December 2017	**2,596,209**	**(130)**	**2,596,079**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 6.71% per annum.

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(b) (Continued)

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	4.9% (2016: 5.2%)

(c) On 15 May 2014, the Company issued senior notes with principal amount of SGD200,000,000 due in 2017 ("SGD200m Senior Notes"). The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 26 May 2017. At any time prior to 26 May 2017, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the SGD200m Senior Notes by swapping the senior notes principal of SGD200 million into US$160 million. The aggregate notional principal amounts of the foreign exchange rate swap contract is SGD200 million and the contract matured on 26 May 2017. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. On 26 May 2017, the foreign exchange rate swap contract was teminated and the loss of RMB74,225,000 is recorded under "Finance costs" (note 6 (a)).

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(c) (Continued)

The movements of SGD200m Senior Notes are set out below:

	Liability component of the senior notes *(Note 29(c)(i))* RMB'000
At 1 January 2016	886,916
Interest and transaction costs amortised	5,903
Exchange difference	67,397
At 31 December 2016	960,216
At 1 January 2017	**960,216**
Interest and transaction costs amortised	**2,489**
Exchange difference	**135,950**
Redemption of senior notes	**(1,098,655)**
At 31 December 2017	**–**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.16% per annum.

On 26 May 2017, the Company redeemed all outstanding SGD200m Senior Notes upon maturity with principal amount of SGD200,000,000 at the predetermined redemption price.

(d) On 23 April 2015, the Company issued senior notes with principal amount of US$300,000,000 due in 2021 ("US$300m Senior Notes"). The senior notes are interest bearing at 8.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 23 January 2021. At any time and from time to time on or after 23 January 2019, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. In addition, at any time prior to 23 January 2019, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(d) (Continued)

The movements of US$300m Senior Notes are set out below:

	Liability component of the senior notes *(Note 29(d)(i))* RMB'000	Redemption call option *(Notes 21 and 29(d)(ii))* RMB'000	Total RMB'000
At 1 January 2016	1,871,996	(5,032)	1,866,964
Interest and transaction cost amortised	1,956	–	1,956
Change in fair value *(note 6(a))*	–	(6,533)	(6,533)
Exchange difference	213,477	(768)	212,709
At 31 December 2016	2,087,429	(12,333)	2,075,096
At 1 January 2017	**2,087,429**	**(12,333)**	**2,075,096**
Interest and transaction cost amortised	**2,603**	**–**	**2,603**
Change in fair value *(note 6(a))*	**–**	**(8,522)**	**(8,522)**
Exchange difference	**(152,397)**	**1,237**	**(151,160)**
At 31 December 2017	**1,937,635**	**(19,618)**	**1,918,017**

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 8.91% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.7% (2016: 6.1%)

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(e) On 8 November 2016, the Company issued senior notes with principal amount of US$200,000,000 due in 2021 ("US$200m Senior Notes due in 2021"). The senior notes are interest bearing at 6.75% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 8 November 2021. At any time prior to 8 November 2021, the Company may at its option redeem the senior notes, in whole but not in part, at another pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US$200m Senior Notes due in 2021 by swapping the senior notes principal of US$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US$200 million and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2017, the fair value of the foreign exchange rate swap contract (liability) amounted to RMB79,165,000 (2016: (asset) RMB27,074,000) (note 27) (2016: note 21) is measured based on market price quoted by brokers and the fair value change loss of RMB108,549,000 (2016: (gain) RMB26,292,000) is recorded under "Finance cost" (note 6(a)).

The movements of US$200m Senior Notes due in 2021 are set out below:

	Liability component of the senior notes *(Note 29(e)(i))* RMB'000
Proceeds from issuance senior notes	1,377,970
Transaction costs	(18,307)
Net proceeds	1,359,663
Interest and transaction costs amortised	496
Exchange difference	23,224
At 31 December 2016	1,383,383
At 1 January 2017	**1,383,383**
Interest and transaction costs amortised	**3,039**
Exchange difference	**(101,048)**
At 31 December 2017	**1,285,374**

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(e) (Continued)

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 7.06% per annum.

(f) On 18 July 2017, the Company issued senior notes with principal amount of US$200,000,000 due in 2018 ("US$200m Senior Notes due in 2018"). The senior notes are interest bearing at 6% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 16 July 2018. At any time within the 30 days period commencing on 18 January 2018 and for one time only, the Company may at its option redeem the senior notes, in whole or in part, at a pre-determined redemption price. Certain covenants of the senior notes also limit the Group's ability to, among other things, incur additional indebtedness and declare dividends under certain circumstances. The details are disclosed in the relevant offering memorandum.

The movements of US$200m Senior Notes due in 2018 are set out below:

	Liability component of the senior notes *(Note 29(f)(i))* RMB'000	**Redemption call option** *(Notes 21 and 29(f)(ii))* RMB'000	**Total** RMB'000
Proceeds from issuance senior notes	1,339,056	(812)	1,338,244
Transaction costs	(8,927)	–	(8,927)
Net proceeds	1,330,129	(812)	1,329,317
Interest and transaction cost amortised	4,064	–	4,064
Change in fair value *(note 6(a))*	–	609	609
Exchange difference	(39,709)	9	(39,700)
At 31 December 2017	1,294,484	(194)	1,294,290

29 SENIOR NOTES (Continued)

Liability component of the Senior Notes: (Continued)

(f) (Continued)

(i) Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 6.70% per annum.

(ii) Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

The assumptions applied in determining the fair value of the redemption call option at 31 December 2017 are set out as follows:

Credit spread	5.2%

30 CORPORATE BONDS

	2017	2016
	RMB'000	RMB'000
At 1 January	**2,978,128**	–
Proceeds from issuance corporate bonds	**–**	3,000,000
Transaction costs	**–**	(27,910)
Net proceeds	**–**	2,972,090
Interest and transaction costs amortised	**8,786**	6,038
At 31 December	**2,986,914**	2,978,128

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 12 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

31 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

(b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

(d) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

31 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

(d) Share options granted on 23 May 2017 (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumption

Fair value at measurement date	HK$0.522
Share price	HK$1.750
Exercise price	HK$1.764
Expected volatility	46%
Option life	10 years
Expected dividends	7%
Risk-free interest rate	1.36%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(e) The number and the weighted average exercise price of share options are as follows:

	2017		2016	
	Weighted average exercise price HK$	**Number of options**	Weighted average exercise price HK$	Number of options
Outstanding at 1 January	**2.33**	**31,217,720**	2.35	34,967,720
Issued during the year	**1.76**	**95,000,000**	–	–
Exercised during the year	**2.12**	**(6,991,800)**	–	–
Lapsed during the year	**1.76**	**(3,000,000)**	2.56	(3,750,000)
Outstanding at 31 December	**1.89**	**116,225,920**	2.33	31,217,720
Exercisable at 31 December	**2.39**	**24,225,920**	2.33	31,217,720

The options outstanding at 31 December 2017 had a weighted average exercise price of HK$1.89 (2016: HK$2.33) and a weighted average remaining contractual life of 8.38 years (2016: 5.29 years).

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	CIT	LAT	Withholding tax	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	137,192	374,208	290,876	802,276
Charged to the consolidated income statement *(note 7(a))*	373,535	225,381	7,092	606,008
Acquisitions of subsidiaries *(note 38(d))*	(7,172)	(4,137)	–	(11,309)
Disposals of subsidiaries *(note 38(e))*	(1,427)	–	–	(1,427)
Deemed disposals of subsidiaries *(note 38(f))*	6,561	(14,086)	–	(7,525)
Tax paid	(417,414)	(369,069)	(60,025)	(846,508)
At 31 December 2016	91,275	212,297	237,943	541,515
At 1 January 2017	**91,275**	**212,297**	**237,943**	**541,515**
Charged to the consolidated income statement *(note 7(a))*	**554,960**	**372,413**	**–**	**927,373**
Acquisitions of subsidiaries *(note 38(a))*	**(34,212)**	**(9,404)**	**–**	**(43,616)**
Disposals of subsidiaries *(note 38(b))*	**10,975**	**(49,551)**	**–**	**(38,576)**
Tax paid	**(785,563)**	**(500,087)**	**(960)**	**(1,286,610)**
At 31 December 2017	**(162,565)**	**25,668**	**236,983**	**100,086**

	2017	2016
	RMB'000	RMB'000
Representing:		
Taxation payable	**1,116,940**	1,151,686
Tax recoverable	**(1,016,854)**	(610,171)
	100,086	541,515

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties RMB'000	LAT RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	(55,865)	128,558	(14,104)	58,589
Credited/(charged) to the consolidated income statement *(note 7(a))*	(6,474)	(1,097)	(9,812)	(17,383)
At 31 December 2016	(62,339)	127,461	(23,916)	41,206
At 1 January 2017	**(62,339)**	**127,461**	**(23,916)**	**41,206**
Credited/(charged) to the consolidated income statement *(note 7(a))*	**(60,518)**	**(26,719)**	**(26,174)**	**(113,411)**
At 31 December 2017	**(122,857)**	**100,742**	**(50,090)**	**(72,205)**

	2017 RMB'000	2016 RMB'000
Representing:		
Deferred tax assets	**100,742**	127,461
Deferred tax liabilities	**(172,947)**	(86,255)
	(72,205)	41,206

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,139,482,000 (2016: RMB778,094,000) at 31 December 2017, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

(d) Deferred tax liabilities not recognised:

As at 31 December 2017, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB5,520,889,000 (2016: RMB4,099,018,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2017		2016	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000
Ordinary shares, issued and fully paid:				
At 1 January	**2,442,271**	**244,227**	2,442,271	244,227
Issue of shares under share option scheme	**6,992**	**699**	–	–
At 31 December	**2,449,263**	**244,926**	2,442,271	244,227
RMB'000 equivalent at 31 December		**216,916**		216,322

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves

(i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

(iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the carrying amount of such interest and the difference between the nominal value of shares of the subsidiaries and the nominal value of the shares issued by the Group in exchange thereafter.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 2(w).

(v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 31.

(vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(g).

(viii) Distributability of reserves

At 31 December 2017, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2017 was RMB280,642,000 (2016: RMB1,151,246,000). After the end of the reporting period, the directors proposed a final dividend of HK$12.29 cents, equivalent to RMB9.93 cents (2016: HK$Nil) per ordinary share, amounting to RMB243,212,000. This dividend has not been recognised as a liability at the end of the reporting period.

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Share capital *(Note 33(a))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	**216,322**	**1,666,254**	**70,925**	**17,116**	**(41,156)**	**(515,008)**	**1,414,453**
Changes in equity for 2017:							
Loss for the year	–	–	–	–	–	(885,071)	(885,071)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	(54,252)	–	–	–	(54,252)
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(33,069)	–	(33,069)
– Transfer from equity to profit or loss	–	–	–	–	74,225	–	74,225
Total comprehensive income	–	–	(54,252)	–	41,156	(885,071)	(898,167)
Issue of new shares under share option scheme	594	14,467	–	(2,444)	–	–	12,617
Equity settled share-based payment *(note 6(b))*	–	–	–	12,258	–	–	12,258
	594	14,467	–	9,814	–	–	24,875
Balance at 31 December 2017	**216,916**	**1,680,721**	**16,673**	**26,930**	**–**	**(1,400,079)**	**541,161**

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Reserves (Continued)

(ix) Movements in components of equity (Continued)

Company (Continued)

	Share capital *(Note 33(a))* RMB'000	Share premium *(Note 33(b)(i))* RMB'000	Exchange reserve *(Note 33(b)(iv))* RMB'000	Share-based compensation reserve *(Note 33(b)(v))* RMB'000	Hedging reserve *(Note 33(b)(vii))* RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016	216,322	1,666,254	(111,950)	19,067	(54,585)	269,826	2,004,934
Changes in equity for 2016:							
Loss for the year	–	–	–	–	–	(546,927)	(546,927)
Other comprehensive income							
– Exchange difference on translation of financial statements	–	–	182,875	–	–	–	182,875
– Cash flow hedge:							
– Effective position of changes in fair value	–	–	–	–	(18,276)	–	(18,276)
– Transfer from equity to profit or loss	–	–	–	–	31,705	–	31,705
Total comprehensive income	–	–	182,875	–	13,429	(546,927)	(350,623)
Final dividends approved in respect of the previous year *(note 33(c)(ii))*	–	–	–	–	–	(240,295)	(240,295)
Equity settled share-based payment *(note 6(b))*	–	–	–	(1,951)	–	2,388	437
	–	–	–	(1,951)	–	(237,907)	(239,858)
Balance at 31 December 2016	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2017	2016
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of HK$12.29 cents (equivalent to RMB9.93 cents) (2016: HK$Nil) per ordinary share	**243,212**	–

No interim dividend was declared and paid during the year.

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2017	2016
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$Nil (2016: HK$11.61 cents (equivalent to RMB9.84 cents) per ordinary share)	**–**	240,295

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

33 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2017 and 2016 was as follows:

	2017	2016
	RMB'000	RMB'000
Current liabilities		
– Bank loans	**450,118**	514,265
– Other loans	**90,000**	90,000
– Senior notes	**3,890,692**	960,216
	4,430,810	1,564,481
Non-current liabilities		
– Bank loans	**3,437,460**	1,851,175
– Other loans	**210,000**	300,000
– Senior notes	**4,518,961**	7,662,270
– Corporate Bonds	**2,986,914**	2,978,128
	11,153,335	12,791,573
Total debt	**15,584,145**	14,356,054
Less:		
– Cash and cash equivalents	**(11,283,853)**	(9,776,310)
– Restricted bank deposits secured against bank loans and other loans	**–**	(6,026)
Net debt	**4,300,292**	4,573,718
Total equity	**8,473,169**	6,997,326
Gearing ratio	**50.8%**	65.4%

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The Group's interest rate risk arises primarily from restricted bank deposits, cash and cash equivalents, bank loans and other loans. The Group does not carry out any hedging activities to manage its interest rate exposure.

At 31 December 2017, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's profit and total equity by approximately RMB89,331,000 (2016: RMB67,808,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The analysis is performed on the same basis for 2016.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, restricted bank deposits and cash and cash equivalents. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Credit risk (Continued)

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. In respect of trade receivables arising from other sales and other receivables, the Group assesses the financial abilities of the purchasers/debtors before granting the instalment sales/facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. The Group would not apply individual property ownership certificates for the property buyers until the outstanding balances are fully settled. Other than that, normally, the Group does not obtain collateral from debtors. The impairment losses on bad and doubtful accounts are within management's expectation.

Restricted bank deposits and cash and cash equivalents are deposited with financial institutions with sound credit ratings to minimise credit exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

(c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	**527,937**	**1,091,567**	**2,001,861**	**827,952**	**4,449,317**	**3,887,578**
Other loans	**96,300**	**96,300**	**108,900**	**33,284**	**334,784**	**300,000**
Senior notes	**4,372,755**	**361,229**	**4,898,081**	**–**	**9,632,065**	**8,409,653**
Corporate bonds	**179,507**	**3,049,808**	**–**	**–**	**3,229,315**	**2,986,914**
Payables and accruals	**20,919,769**	**106,295**	**–**	**–**	**21,026,064**	**20,824,820**
	26,096,268	**4,705,199**	**7,008,842**	**861,236**	**38,671,545**	**36,408,965**
Financial guarantees issued: – Maximum amount guaranteed *(note 36)*	**30,503,098**	**–**	**–**	**–**	**30,503,098**	**–**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Liquidity risk (Continued)

	2016					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	542,372	415,919	796,671	923,060	2,678,022	2,365,440
Other loans	96,300	96,300	217,800	33,284	443,684	390,000
Senior notes	1,582,189	3,270,011	5,673,214	–	10,525,414	8,622,486
Corporate bonds	180,000	179,507	3,049,808	–	3,409,315	2,978,128
Payables and accruals	14,806,167	65,760	30,000	–	14,901,927	14,626,921
	17,207,028	4,027,497	9,767,493	956,344	31,958,362	28,982,975
Financial guarantees issued: – Maximum amount guaranteed *(note 36)*	22,641,341	–	–	–	22,641,341	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2017 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2017		2016	
	Singapore Dollars '000	**United States Dollars '000**	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	**63**	**64,868**	83	186,590
Senior notes	**–**	**(1,294,547)**	(199,488)	(1,093,445)
Bank loans	**–**	**(146,732)**	–	–
Gross exposure arising from recognised assets and liabilities and overall net exposure	**63**	**(1,376,411)**	(199,405)	(906,855)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables of RMB326,974,000 (2016: RMB266,974,000) from PRC subsidiaries.

A reasonably possible increase/decrease of 5% (2016: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB430,718,000 (2016: RMB352,384,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of SGD200m Senior Notes and USD200m Senior Notes due in 2021 as discussed in notes 29(c) and 29(e) respectively.

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities (see note 19).

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities, other industry indications, as well as the Group's liquidity needs. Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2016: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

(f) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2017 categorised into			
	Fair value at 31 December 2017 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurements				
Assets:				
Trading securities:				
– Listed equity securities in Hong Kong	**97,105**	**97,105**	**–**	**–**
Derivative financial instruments:				
– Redemption call option of US$200m Senior Notes	**23,907**	**–**	**23,907**	**–**
– Redemption call option of US$400m Senior Notes	**130**	**–**	**130**	**–**
– Redemption call option of US$300m Senior Notes	**19,618**	**–**	**19,618**	**–**
– Redemption call option of US$200 in Senior Notes due in 2018	**194**	**–**	**194**	**–**
Liabilities:				
Derivative financial instruments:				
– Foreign exchange swap contracts	**79,165**	**–**	**79,165**	**–**

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	Fair value measurements as at 31 December 2016 categorised into			
	Fair value at 31 December 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trading securities:				
– Listed equity securities in Hong Kong	105,868	105,868	–	–
Derivative financial instruments:				
– Redemption call option of US$200m Senior Notes	19,411	–	19,411	–
– Redemption call option of US$400m Senior Notes	2,873	–	2,873	–
– Redemption call option of US$300m Senior Notes	12,333	–	12,333	–
– Foreign exchange swap contracts	27,074	–	27,074	–
Liabilities:				
Derivative financial instruments:				
– Foreign exchange swap contracts	159,394	–	159,394	–

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Fair value measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

During the years ended 31 December 2016 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of redemption call options of US$200m Senior Notes, US$400m Senior Notes, US$300m Senior Notes and US$200m Senior Notes due in 2018 in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of forward exchange swap contract in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

(ii) Fair values of financial instruments carried at other than fair value

The fair values of these financial instruments are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 2016. Amounts due from/(to) related companies, associates, joint ventures, and non-controlling interests are either recoverable/(repayable) on demand or with no fixed repayment terms. Given these terms it is not meaningful to disclose fair values.

35 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements are as follows:

	2017	2016
	RMB'000	RMB'000
Properties under development undertaken by the Group		
– Authorised but not contracted for	**12,352,427**	11,831,350
– Contracted but not provided for	**6,814,843**	5,443,571
	19,167,270	17,274,921
Properties under development undertaken by joint ventures attributable to the Group		
– Authorised but not contracted for	**1,115,758**	1,617,493
– Contracted but not provided for	**270,684**	1,006,293
	1,386,442	2,623,786

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	RMB'000
Within 1 year	**4,253**	4,253
After 1 year but within 5 years	**17,015**	17,015
After 5 years	**84,370**	88,624
	105,638	109,892

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

36 CONTINGENT LIABILITIES

(a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint venture's properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2017 is as follows:

	2017	2016
	RMB'000	RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	**18,738,540**	14,514,045
– the joint ventures' properties (the Group's shared portion)	**4,602,718**	4,562,996
	23,341,258	19,077,041

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

36 CONTINGENT LIABILITIES (Continued)

(b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB6,511,840,000 at 31 December 2017 (2016: RMB2,914,300,000). At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and their transaction prices were RMBNil.

(c) Liquidity support given to 河南建業物業管理有限公司 (for identification purpose, in English, Henan Jianye Property Management Company Limited ("Jianye Property Management"))

The Group provided liquidity support in favour of Jianye Property Management, an independent third party, for an amount of RMB650,000,000 (2016: RMB650,000,000) as at 31 December 2017 in relation to Asset-backed Securities issued by Jianye Property Management. Details of the Assets-backed Securities are disclosed in the Company's announcement dated 13 April 2016. The service fee of RMB1,950,000 (2016: RMB1,300,000) was recognised in 2017.

37 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2017 are as follows:

	Note	**2017 RMB'000**	2016 RMB'000
Project management service income		**10,081**	–
Interest income from joint ventures	*(a)*	**32,556**	101,579
Interest income from non-controlling interests	*(a)*	**518**	13,127
Interest expenses to joint ventures	*(b)*	**–**	(107,674)
Interest expenses to non-controlling interests	*(b)*	**(2,527)**	(7,399)

Notes:

(a) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.

(b) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) Acquisitions of subsidiaries in 2017

During the year ended 31 December 2017, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration RMB'000
17 January 2017	Zhumadian City Chuncheng Properties Company Limited*	0%	51%	51%	10,400
18 January 2017	Changge City Yicheng Real Estate Development Company Limited*	0%	70%	70%	36,350
29 March 2017	Puyang City Lima Beer Company Limited*	0%	60%	60%	21,288
31 March 2017	Henan Central China Union Zhiye Company Limited*	65.63%	34.37%	100%	330,000
31 March 2017	Henan Longyu Real Estate Company Limited*	70%	30%	100%	124,949
9 June 2017	Shangqiu Hongda Enterprises Company Limited*	0%	80%	80%	40,721
31 July 2017	Shangqiu Xindu Properties Company Limited*	0%	100%	100%	–
3 August 2017	Henan Jiaheng Properties Company Limited*	0%	100%	100%	16,500
7 August 2017	Shangqiu City Zhiyuan Real Estate Development Company Limited*	0%	51%	51%	–
29 August 2017	Beijing Lande Huifeng Real Estate Development Company Limited*	0%	100%	100%	230,000
30 August 2017	Shangqiu Jinshengyuan Industrial Company Limited*	0%	51%	51%	10,200
20 September 2017	Zhengzhou Fengtai Properties Company Limited*	0%	70%	70%	59,400

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2017 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount	Adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	4,587	–	4,587
Interests in joint ventures	20,000	–	20,000
Tax recoverable	43,616	–	43,616
Properties for sale	2,147,785	493,093	2,640,878
Trade and other receivables	1,493,269	–	1,493,269
Deposits and prepayments	108,118	–	108,118
Restricted bank deposits	85,998	–	85,998
Cash and cash equivalents	255,482	–	255,482
Bank loans	(1,022,800)	–	(1,022,800)
Trade and other payables	(901,800)	–	(901,800)
Receipts in advance	(954,032)	–	(954,032)
Net identified assets and liabilities	1,280,223	493,093	1,773,316
Non-controlling interests			(106,520)
			1,666,796
Satisfied by:			
Cash			879,808
Carrying amount of interests in joint ventures as at acquisition date			786,988
			1,666,796
Total consideration paid			879,808
Total cash and cash equivalents acquired			(255,482)
Net cash outflow			624,326

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(a) Acquisitions of subsidiaries in 2017 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,567,973,000 and profit attributable to the equity shareholders of the Company of RMB44,729,000 to the Group for the year ended 31 December 2017. Should the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 would have been RMB13,894,349,000 and RMB813,028,000 respectively.

The Group incurred acquisition-related costs of RMB229,000, and have been included in "general and administrative expenses".

(b) Disposals of subsidiaries in 2017

During the year ended 31 December 2017, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group retained certain equity interests in Zhengzhou Anyong Properties Limited and Henan Longyu Real Estate Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration RMB'000
15 February 2017	Zhengzhou Central China Kairun Real Estate Company Limited*	85%	85%	0%	–
21 February 2017	Henan Central China Kaipu Commercial Development Company Limited*	80%	80%	0%	–
21 July 2017	Zhengzhou Anyong Properties Limited*	100%	20%	80%	150,000
27 December 2017	Henan Longyu Real Estate Company Limited*	100%	40%	60%	145,000

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(b) Disposals of subsidiaries in 2017 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	506
Properties for sale	1,792,053
Trade and other receivables	1,356,342
Deposits and prepayments	1,488
Tax recoverable	4,744
Restricted bank deposits	22,668
Cash and cash equivalents	11,412
Bank loans	(1,037,440)
Payables and accruals	(1,306,599)
Receipts in advance	(30,560)
Tax payable	(43,320)
Non-controlling interests	(24,802)
Net assets	746,492
Net gain on disposals of subsidiaries *(note 5)*	189,647
	936,139
Satisfied by:	
Cash	295,000
Interests in joint ventures	641,139
	936,139
Total consideration received	295,000
Total cash and cash equivalents disposed	(11,412)
Net cash inflow	283,588

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(c) Deemed disposal of a subsidiary in 2017

During the year ended 31 December 2017, an investor invested in the below subsidiary, which diluted the Group's equity interests in the entity (see note 17(d)). Details of the deemed disposal of a subsidiary during the year are summarised as follows:

Dates of deemed disposal	Name of the subsidiary deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 May 2017	Zhengzhou Jianye Eighteen Cities Zhiye Company Limited*	100%	50%	50%

* The English name of the above company in the PRC is translated by management only for the purpose of these financial statements

The deemed disposal of a subsidiary had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	104
Properties for sale	10,523
Deposits and prepayments	2,633,456
Cash and cash equivalents	903
Payables and accruals	(2,545,546)
Net assets	99,440
Net gain on deemed disposal of a subsidiary *(note 5)*	280
	99,720
Satisfied by:	
Interests in a joint venture	99,720
Total cash and cash equivalents disposed	(903)
Net cash outflow	(903)

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016

During the year ended 31 December 2016, the Group acquired equity interests in seven entities which held property development projects. After the completion of the acquisition, these seven entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
15 April 2016	Universal Food City Development (Henan) Company Limited*	57.53%	42.47%	100%	150,000
21 November 2016	Henan Yuanda Company Limited*	51.61%	48.39%	100%	422,773
21 November 2016	Puyang Jianye City Development Company Limited*	51.22%	48.78%	100%	594,369
11 August 2016	Zhengzhou Anyong Properties Limited*	0%	100.00%	100%	354,179
21 October 2016	Zhengzhou Ansheng Geological Cuture Development Limited*	0%	80%	80%	203,011
24 October 2016	Henan Shanhao Real Estate Development Company Limited*	0%	100%	100%	117,492
24 October 2016	Henan Yuxuan Real Estate Development Company Limited*	0%	100%	100%	47,241

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount	Adjustments	Recognised values on acquisition
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	2,799	–	2,799
Other financial assets	1,000	–	1,000
Tax recoverable	11,309	–	11,309
Properties for sale	1,892,313	1,166,164	3,058,477
Trade and other receivables	1,235,174	–	1,235,174
Deposits and prepayments	68,321	–	68,321
Restricted bank deposits	17,744	–	17,744
Cash and cash equivalents	60,034	–	60,034
Bank loans	(149,800)	–	(149,800)
Trade and other payables	(1,262,274)	–	(1,262,274)
Receipts in advance	(62,160)	–	(62,160)
Net identified assets and liabilities	1,814,460	1,166,164	2,980,624
Non-controlling interests			(50,752)
			2,929,872
Satisfied by:			
Cash			1,889,065
Carrying amount of interests in joint ventures as at acquisition date			973,846
Fair value gain upon acquisition of subsidiaries *(note 5)*			66,961
			2,929,872
Total consideration paid			1,889,065
Total cash and cash equivalents acquired			(60,034)
Net cash outflow			1,829,031

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(d) Acquisitions of subsidiaries in 2016 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB51,998,000 and loss attributable to the equity shareholders of the Company of RMB1,842,000 to the Group for the year ended 31 December 2016. Should the acquisitions had occurred on 1 January 2016, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2016 would have been RMB9,779,467,000 and RMB240,148,000 respectively.

The Group incurred acquisition-related costs of RMB180,000, and have been included in "general and administrative expenses".

(e) Disposals of subsidiaries in 2016

During the year ended 31 December 2016, the Group disposed equity interests in the below two entities. After the completion of the disposal, the Group retained certain equity interests in Henan Shengtai Real Estate Company Limited and Anyang Central China City Development Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration RMB'000
23 June 2016	Henan Shengtai Real Estate Company Limited*	100%	100%	0%	32,632
25 December 2016	Anyang Central China City Development Company Limited*	55%	5.50%	49.50%	5,500

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(e) Disposals of subsidiaries in 2016 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	318
Properties for sale	203,678
Trade and other receivables	279,427
Cash and cash equivalents	213,880
Other loans	(400,000)
Payables and accruals	(79,060)
Receipts in advance	(93,935)
Tax payable	(1,427)
Non-controlling interests	(40,744)
Net assets	82,137
Net gain on disposals of subsidiaries *(note 5)*	813
	82,950
Satisfied by:	
Cash	38,132
Interests in joint ventures	44,818
	82,950
Total consideration received	38,132
Total cash and cash equivalents disposed	(213,880)
Net cash outflow	(175,748)

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(f) Deemed disposals of subsidiaries in 2016

During the year ended 31 December 2016, certain investors invested in the below subsidiaries, which diluted the Group's equity interests in these entities. Details of the deemed disposals of subsidiaries during the year are summarised as follows:

Dates of deemed disposal	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
27 June 2016	Kaifeng Central China Real Estate Company Limited*	100%	40%	60%
1 January 2016	Xinyang Tianheng Real Estate Company Limited*	100%	49.69%	50.31%

* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements

38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

(f) Deemed disposals of subsidiaries in 2016 (Continued)

The deemed disposals of subsidiaries had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	19,288
Properties for sale	965,206
Trade and other receivables	809,766
Deposits and prepayments	104,850
Tax recoverable	288
Restricted bank deposits	6,631
Cash and cash equivalents	97,075
Payables and accruals	(1,141,990)
Receipts in advance	(36,806)
Tax payable	(7,813)
Net assets	816,495
Net loss on deemed disposals of subsidiaries *(note 5)*	(18,611)
	797,884
Satisfied by:	
Interests in joint ventures	797,884
Total cash and cash equivalents disposed	(97,075)
Net cash outflow	(97,075)

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2017 RMB'000	2016 RMB'000
Non-current asset			
Interests in subsidiaries		**9,885,326**	10,137,405
Current assets			
Derivative financial instruments		**43,849**	61,691
Cash and cash equivalents		**216,264**	145,405
Deposits and prepayments		**6,302**	–
		266,415	207,096
Current liabilities			
Payables and accruals		**(247,725)**	(303,950)
Amount due to a subsidiary		**–**	(3,612)
Senior notes		**(3,890,692)**	(960,216)
		(4,138,417)	(1,267,778)
Net current liabilities		**(3,872,002)**	(1,060,682)
Total assets less current liabilities		**6,013,324**	9,076,723
Non-current liabilities			
Bank loans		**(953,202)**	–
Senior notes		**(4,518,961)**	(7,662,270)
		(5,472,163)	(7,662,270)
NET ASSETS		**541,161**	1,414,453
CAPITAL AND RESERVES	*33(b)(ix)*		
Share capital		**216,916**	216,322
Reserves		**324,245**	1,198,131
TOTAL EQUITY		**541,161**	1,414,453

Approved and authorised for issue by the board of directors on 12 March 2018.

Wu Po Sum
Executive Director

Yan Yingchun
Executive Director

40 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

(a) Valuation of investment properties

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

(b) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated market value of each phase as a percentage of the total estimated market value of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

(c) Impairment for buildings and construction in progress

As explained in note 2(l), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

40 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(d) Provision for properties for sale

As explained in note 2(m), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(e) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group assesses the estimates on the aging of the trade and other receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual provisions would be higher than that estimated.

(f) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(g) CIT and LAT

As disclosed in note 7, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

(h) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 29. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

41 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) On 5 March 2018, the Company issued senior notes with principal amount of US$300,000,000 due in 2021.The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 5 March 2021. The details of the redemption price are disclosed in the relevant offering memorandum published by the Company on 27 February 2018.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 33(c)(i).

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement (Continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognise any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 2(e) and 2(l). This change in policy will have no impact on the Group's net assets and total comprehensive income, but will increase volatility in profit or loss. Based on a preliminary assessment, this new requirement will not have any material impact on the Group on adoption of HKFRS 9.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, this new requirement will not have any material impact on the Group on adoption of HKFRS 9.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(v). Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of properties is generally recognised at the point in time when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of project management service. For certain pre-sales of properties under development, the Group is in the process of assessing the legal implication of enforceable rights to payment for performance completed to date under current PRC laws and regulations comprehensively. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer at a point in time or over time.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Advance payments are common in the Group's arrangements with its customers, when properties are marketed by the Group while the property is still under construction.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under HKAS 23, *Borrowing costs*. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the Group's net profits during the construction period and gross profit from the sales of properties. The Group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)

HKFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 35(b), at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB105,638,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

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