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This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein will not be registered under the Securities Act, and may not be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Company does not intend to make any public offering of securities in the United States.



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

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

OVERSEAS REGULATORY ANNOUNCEMENT

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

Reference is made to the announcement of Guangzhou R&F Properties Co., Ltd. (the “**Company**”) dated 13 November 2017 (the “**Announcement**”) in relation to the Notes Issue. Unless otherwise defined, capitalised terms used herein have the same meanings as those defined in the Announcement.

Please refer to the attached offering memorandum dated 13 November 2017 in relation to the Notes (the “**Offering Memorandum**”), which was published on the website of SGX-ST on 21 November 2017.

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

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

By order of the Board
Guangzhou R&F Properties Co., Ltd.
Li Sze Lim
Chairman

Hong Kong, 21 November 2017

As at the date of this announcement, the executive Directors are Mr. Li Sze Lim, Mr. Zhang Li, Mr. Zhou Yaonan and Mr. Lu Jing; the non-executive Directors are Ms. Zhang Lin and Ms. Li Helen; and the independent non-executive Directors are Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong.

** for identification purposes only*

IMPORTANT NOTICE

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

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

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

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

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

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

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

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

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

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

Easy Tactic Limited

怡略有限公司

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

US\$500,000,000 5.875% Senior Notes due 2023**Unconditionally and Irrevocably Guaranteed by
R&F Properties (HK) Company Limited**

(A company incorporated in Hong Kong)

a wholly owned subsidiary of

Guangzhou R&F Properties Co., Ltd.

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

**廣州富力地產股份有限公司****GUANGZHOU R&F PROPERTIES CO., LTD.*****Issue Price: 100%**

Easy Tactic Limited (the "Issuer") is offering 5.875% Senior Notes due 2023 in the aggregate principal amount of US\$500,000,000 (the "Notes"). The Notes are unconditionally and irrevocably guaranteed on a joint and several basis by R&F Properties (HK) Company Limited ("R&F HK") and by certain other subsidiaries (collectively, the "Subsidiary Guarantors") of Guangzhou R&F Properties Co., Ltd. (the "Company") and holders of the Notes will have the benefit of charges over the shares of the Issuer and certain subsidiaries of R&F HK and a charge over a US dollar interest reserve account.

The Notes will bear interest at the rate of 5.875% per annum and will mature on 13 February 2023. Interest on the Notes will be payable semi-annually in arrear on 17 May and 17 November of each year, beginning on 17 May 2018, except that the last payment of interest, to be made on the Maturity Date, will be in respect of the period from and including 17 May 2022 to but excluding the Maturity Date.

The Issuer may at its option redeem the Notes, in whole or in part, on or after 17 November 2020, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, at any time prior to 17 November 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined in "Terms and Conditions of the Notes") and accrued and unpaid interest, if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control Triggering Event (as defined in "Terms and Conditions of the Notes"), the Issuer may be required to purchase the Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

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

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

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

Investing in the Notes involves risks. See the section entitled "Risk Factors" commencing on page 25.

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

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

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

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with NDRC and obtained a certificate from NDRC on 2 November 2017 evidencing such registration. Pursuant to the registration certificate, the Company will cause relevant information relating to the issue of the Notes to be reported to NDRC within 10 PRC working days after the issue date of the Notes.

The Notes will be evidenced by a global certificate (the "Global Certificate"), in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for the Notes will not be issued in exchange for beneficial interests in the respective Global Certificate. It is expected that delivery of the Global Certificates will be made on 17 November 2017 or such later date as may be agreed by the Company and the Joint Lead Managers (as defined below) (such date, the "Closing Date").

Joint Global Coordinators and Joint Bookrunners and Joint Lead Managers**Goldman Sachs
(Asia) L.L.C.****China Silk Road
International****CITIC CLSA
Securities****Deutsche
Bank****Guotai Junan
International****Joint Bookrunners and Joint Lead Managers****Sun
Securities****Industrial Bank Co., Ltd.
Hong Kong Branch****China CITIC Bank
International****CMB
International****Morgan
Stanley****Citigroup****Haitong
International****The date of this offering memorandum is 13 November 2017.**

* For identification only

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

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

Within the United Kingdom, the communication of the following offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended ("FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Financial Promotion Order")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial

Promotion Order (all such persons together being referred to as “Relevant Persons”). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this document relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the following offering memorandum or any of its contents.

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

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

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

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

None of the Joint Lead Managers has separately verified the information contained in this offering memorandum. No representation or warranty, express or implied, is made by the Joint Lead Managers or Citicorp International Limited (the “Trustee” and the “Security Trustee”) or the Agents (as defined in “Terms and Conditions of the Notes”) or any of their respective affiliates, directors, representatives or advisors as to the accuracy, completeness or sufficiency of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or any of their respective affiliates, directors, representatives or advisors accept any responsibility for the contents of this offering memorandum or for any statement made or purported to be made by the Joint Lead Managers, the Trustee, the Security Trustee or the Agents or on their behalf in connection with the Issuer or the Group (as defined below) or the issue and offering of the Notes. The Joint Lead Managers, the Trustee, the Security Trustee and the Agents and their respective affiliates, directors, representatives and advisors accordingly disclaim any and all liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the Notes from qualified investors and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the Trust Deed (as defined below) and other transaction documents described herein. The information provided is not all inclusive. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. Notwithstanding any investigation that the Joint Lead Managers may have conducted with respect to the information contained herein, none of the Joint Lead Managers accepts any liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by or on our behalf.

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

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

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

In this offering memorandum, all references to “US\$”, “US dollars” and “U.S. dollars” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the

official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); all references to “GBP” and “£” are to pounds sterling; all references to “MYR” and “Malaysia ringgits” are to Malaysia ringgits, the official currency of Malaysia; and all references to “CNY” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China (“China” or the “PRC”).

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of CNY6.7793 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017, all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.8055 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017, and all translations from Malaysia ringgits to U.S. dollars were made at the rate of MYR4.2910 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Malaysia ringgits as certified for customs purposes by the Federal Reserve Bank of New York on 30 June 2017. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information”.

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

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

Unless the context otherwise requires, references to “2014”, “2015” and “2016” in this offering memorandum are to our financial years ended 31 December 2014, 2015 and 2016, respectively.

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

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

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

“2016 Corporate Bonds” means the five tranches of public and non-public domestic corporate bonds issued by the Company on 11 January 2016, 22 January 2016, 7 April 2016, 16 May 2016 and 30 May 2016, respectively, including the 2016 Public Corporate Bonds and the

2016 Non-public Corporate Bonds. See “Description of Material Indebtedness and Other Obligations — 2016 Public Corporate Bonds” and “Description of Material Indebtedness and Other Obligations — 2016 Non-public Corporate Bonds”.

“2016 Non-public Corporate Bonds” means the four tranches of non-public domestic corporate bonds issued by the Company on 16 May 2016, 30 May 2016, 29 June 2016 and 19 October 2016, respectively. See “Description of Material Indebtedness and Other Obligations — 2016 Non-public Corporate Bonds”.

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

“2017 Medium-term Notes” means the 5.25% and 5.50% domestic medium-term notes issued by the Company on 27 April 2017 and 3 July 2017, respectively. See “Description of Material Indebtedness and Other Obligations — 2017 Medium-term Notes.”

“2011 Notes” means the US\$150,000,000 principal amount 10.875% senior notes due 2016 (the “Original 2016 Notes”) and the CNY2,612,000,000 principal amount 7.00% senior notes due 2014 (the “2014 Notes”) issued by Big Will Investments Limited 鴻志投資有限公司 (the “2011 Notes Issuer”) on 29 April 2011. “Further 2016 Notes” means the US\$238,000,000 principal amount of 10.875% senior notes due 2016 issued by the 2011 Notes Issuer on 29 August 2012, which are consolidated and formed a single series with the Original 2016 Notes (as so consolidated, the “2016 Notes”). The 2016 Notes and the 2014 Notes are collectively referred to as the “2011 Notes”. The 2011 Notes Issuer is a wholly owned subsidiary of R&F HK. The 2014 Notes matured on 29 April 2014 and have been fully repaid.

“2018 Notes” means US\$600,000,000 principal amount 5.25% senior notes due 2018 (the “Original 2018 Notes”) and the US\$200,000,000 principal amount 5.25% senior notes due 2018 (the “Additional 2018 Notes”) issued by Trillion Chance Limited 兆運有限公司 (the “2018 Notes Issuer”) on 13 October 2017 and 24 October 2017, respectively. The Original 2018 Notes and the Additional 2018 Notes are collectively referred to as the “2018 Notes.” See “Description of Material Indebtedness and Other Obligations – The 2018 Notes” for more details.

“2020 Notes” means the US\$400,000,000 principal amount 8.75% senior notes due 2020 (the “Original 2020 Notes”) issued by Caifu Holdings Limited 彩富控股有限公司 (the “2020 Notes Issuer”) on 24 January 2013, and the US\$200,000,000 principal amount of 8.75% senior notes due 2020 issued by the 2020 Notes Issuer on 6 February 2013 (the “Further 2020 Notes”), which are consolidated and forms a single series with the Original 2020 Notes. The 2020 Notes Issuer is a wholly owned subsidiary of R&F HK. The 2020 Notes were redeemed in full on 24 January 2017.

“2019 Notes” means the US\$1,000,000,000 principal amount 8.50% senior notes due 2019 issued by Trillion Chance Limited 兆運有限公司 on 10 January 2014. The 2019 Notes were redeemed in full on 10 January 2017.

“2022 Notes” means the US\$265,000,000 principal amount 5.75% senior notes due 2022 (the “Original 2022 Notes”) and the US\$460,000,000 principal amount 5.75% senior notes due 2022 (the “Additional 2022 Notes”) issued by Easy Tactic Limited 怡略有限公司 (the “2022 Notes Issuer”) on 13 January 2017 and 20 January 2017, respectively. The Original 2022 Notes and the Additional 2022 Notes are collectively referred to as the “2022 Notes.” See “Description of Material Indebtedness and Other Obligations – The 2022 Notes” for more details.

“MOFCOM” means the Ministry of Commerce of China.

“SAFE” means the State Administration of Foreign Exchange.

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

SUMMARY

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

Overview

We are a leading PRC property developer headquartered in Guangzhou, with an established presence in Beijing and its vicinity, Tianjin, Shanghai and its vicinity, Hangzhou and its vicinity, Xian, Chongqing, Hainan, Taiyuan, Shenyang and its vicinity, Huizhou and its vicinity, Nanjing, Chengdu, Harbin, Datong, Wuxi, Changsha and its vicinity, Meizhou, Fuzhou, Guiyang, Nanning, Foshan, Zhuhai, Baotou, Zhengzhou, Shijiazhuang, Shenzhen, Ningbo, Nanchang, Yantai, Qinhuaogdao, Huhhot, Dalian, Nantong, Tangshan, Wenzhou and its vicinity, Huzhou, Chuzhou, Putian, Jiangmen, Dongying, Zhangzhou, Fuyang, Sanming, Longyan, Jiujiang, Johor Bahru in Malaysia, Melbourne and Brisbane in Australia, Incheon in Korea and London in the United Kingdom. Founded in 1994, we integrate real estate design, development, engineering supervision, sales, property management, and real estate investment in a single enterprise. We were ranked No. 1 in terms of overall strength among all property developers in China during 2005-2009 by the National Statistics Bureau, and ranked among “China’s Top 10 Listed Real Estate Companies in Terms of Overall Strength” during 2011-2017 by China Real Estate Association and China Real Estate Appraisal. We primarily develop and sell quality private residential properties in Guangzhou, Beijing, Tianjin, and more recently, other Chinese cities. In addition to the development and sale of residential properties, we develop, sell and lease out commercial and office spaces. We currently own four shopping malls and two office buildings. We also engage in the development of hotels. As of 30 June 2017, our hotel portfolio includes 16 hotels managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., Inter Continental Hotels Group, AccorHotels and Atour Hotel. We believe our investment properties and hotels will help further strengthen our brand name. In addition, we also engage in other ancillary property-related services including property management and property agency services. We are also in the process of acquiring additional hotel properties from Dalian Wanda Commercial Properties Co., Ltd. See “Summary – Recent Developments – Dalian Wanda Hotel Acquisition” for more details.

We focus on medium- to high-end property developments and target the middle to upper-middle income residents in the cities where we have operations, and gradually expanded into new emerging cities. Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China’s largest cities, capturing the opportunities presented by its rapidly growing economy. Along with the growth of our business in Guangzhou, we have built up sizable land bank in other top-tier cities such as Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou. As of 30 June 2017, we had landbank in 46 cities and regions across in China and five cities overseas. Our key markets are Southern, Eastern and Northern China, including, but not limited to, the Pearl River Delta, the Bohai-Rim, the Yangtze River Delta, Taiyuan, Fujian, Hainan. We have also managed to expand in a prudent manner into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the impact of regulatory measures by leveraging our expertise and resources to diversify our property portfolio.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our revenue was CNY34,705.4 million, CNY44,290.9 million, CNY53,730.3 million (US\$7,925.6 million), CNY22,389.4 million (US\$3,302.6 million) and CNY20,413.9 million (US\$3,011.2 million), respectively. For the same periods, our net profit was CNY6,506.4 million, CNY6,712.3 million, CNY7,056.0 million (US\$1,040.8 million), CNY2,424.2 million (US\$357.6 million) and CNY2,480.8 million (US\$365.9 million), respectively.

Our Competitive Strengths

We believe we have the following competitive strengths:

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

Our Business Strategies

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

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

General Information

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

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

The Issuer, Easy Tactic Limited (怡略有限公司), is a company incorporated in BVI with limited liability. The Issuer is a wholly owned subsidiary of R&F HK. The Issuer currently has no business or operations other than to issue the 2022 Notes and the Notes and conduct other activities in connection therewith.

Recent Developments

Dalian Wanda Hotel Acquisition

On 19 July 2017, the Company, as the buyer, entered into an agreement with Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司) (“Dalian Wanda”), as the seller, pursuant to which the Company conditionally agreed to acquire Dalian Wanda’s interest in 76 hotels and Dalian Wanda’s 70% interest in Yantai Wanda Vista Hotel (煙台萬達文華酒店) for a total consideration of approximately CNY19,906.4 million. The total consideration will be made by the Company to Dalian Wanda in three installments.

With respect to the sale of Dalian Wanda’s 70% interest in the Yantai Wanda hotel, the remaining 30% of the interest in that hotel belongs to Yantai Riying Garden Real Estate Development Co., Ltd. (煙台日櫻花園房地產開發有限公司), which has the right of first refusal in respect of the transaction.

In the first installment of the total consideration, the Company will pay a refundable deposit of CNY2,000.0 million to Dalian Wanda within two business days of the agreement. Within three months of Dalian Wanda’s receiving of the deposit, Dalian Wanda will complete the transfer of its interest in each of the properties to the Company or its holding companies, subject to the terms of the agreement. In the second installment of the total consideration, upon completion of the first installment and on the last day of the third months after the signing of the agreement, the Company will pay an additional amount of CNY8,000.0 million to Dalian Wanda. During the settlement of the first and second installments, the Company and Dalian Wanda will obtain the relevant registration and necessary approval in relation to the completion of the acquisition. In the third installment, the Company will pay Dalian Wanda the remaining balance of CNY9,906.4 million on or before 31 January 2018.

The Company has obtained confirmation from The Stock Exchange of Hong Kong that written approval from its controlling shareholders may be accepted in lieu of holding a general meeting for the approval of the agreement and the transactions contemplated thereunder. On 25 September 2017, the Company obtained the written approval from Mr. Li Sze Lim and Mr. Zhang Li, who together hold an aggregate of 2,117,818,144 shares of the Company, representing approximately 65.72% of the issued share capital of the Company as of 26 September 2017. Accordingly, the Company will not convene an extraordinary general meeting for the approval of the agreement.

On 20 October 2017, we entered into a supplemental agreement with Dalian Wanda to amend the agreement dated 19 July 2017. We will exclude three hotels originally included in the agreement and include Dalian Wanda Commercial Centre in our acquisition. The total consideration has been adjusted from approximately CNY19,906.4 million to approximately CNY19,204.8 million. We will settle the consideration attributable to the properties that have fulfilled the conditions of transfer of interest. As of 31 October 2017, we have settled the consideration attributable to 65 properties in the amount of approximately RMB16,644.9 million.

Each of the properties will continue to be subject to the management contracts signed with the hotel management companies until the expiry of such management contracts. Dalian Wanda will coordinate with its hotel management companies with respect to the 53 hotels under its

management and confirm the management fees and management contract periods with us. We will give priority to Dalian Wanda's hotel management companies for renewal of their management contracts in the six months before their expiry.

The properties have a total GFA of approximately 3,253.7 million sq.m. with 22,059 rooms.

Upon completion of the acquisition, the following hotels will be included in our portfolio⁽¹⁾:

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
1.	Ningbo Wanda Soflitel Hotel	899 Siming Middle Road, Yinzhou District, Ningbo, Zhejiang	291	2008	40,700	100.0%
2.	Beijing Wanda Realm Hotel	Building 1, 18-A Shijingshan Road, Shijingshan District, Beijing	312	2009	43,400	100.0%
3.	Qingdao Wanda Le Meridien Hotel	112 Yanji Road, Qingdao, Shandong	349	2009	51,100	100.0%
4.	Chongqing Wanda Le Meridien Hotel	10 Jiangnan Avenue, Nan'an District, Chongqing	320	2009	43,700	100.0%
5.	Wuxi Wanda Sheraton Hotel	49 Liangxi Road, Binhu District, Wuxi, Jiangsu	350	2010	46,700	100.0%
6.	Xiangyang Wanda Crowne Plaza Hotel	11 Changhong North Road, Xiangyang, Hubei	303	2010	43,000	100.0%
7.	Yichang Wanda Crowne Plaza Hotel	169S Yanjiang Avenue, Wujiagang District, Yichang, Hubei	283	2010	39,100	100.0%
8.	Fuzhou Wanda Westin Hotel	366 Jiangbin Middle Avenue, Taijiang District, Fuzhou, Fujian	310	2010	49,300	100.0%
9.	Hefei Wanda Westin Hotel	150 Ma'anshan Road, Baohe District, Hefei, Anhui	313	2010	48,500	100.0%
10.	Wuhan Wanda Westin Hotel	96 Linjiang Avenue, Wuchang District, Wuhan, Hubei	305	2011	50,400	100.0%
11.	Zhenjiang Wanda Sheraton Hotel	88 Beifu Road, Runzhou District, Zhenjiang, Jiangsu	289	2011	43,300	100.0%
12.	Xi'an Wanda Hilton Hotel	199 Dongxin Street, Xincheng District, Xi'an, Shanxi	311	2011	43,400	100.0%
13.	Shijiazhuang Wanda InterContinental Hotel	119 Huai'an East Road, Yuhua District, Shijiazhuang, Hebei	294	2011	43,800	100.0%
14.	Jinan Wanda Hyatt Hotel	187 Jingsi Road, Shizhong District, Jinan	344	2011	53,000	100.0%

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
15.	Langfang Wanda Realm Hotel	Tower A, Wanda Plaza, 50 Xinhua Road, Guangyang District, Langfang, Hebei	295	2011	41,900	100.0%
16.	Daqing Wanda Sheraton Hotel	2 Jing'er Street, Dongfeng New Village, Sartu District, Daqing, Heilongjiang	290	2011	43,000	100.0%
17.	Taizhou Wanda Realm Hotel	222 Jichuan East Road, Hailing District, Taizhou, Jiangsu	253	2011	38,700	100.0%
18.	Changzhou Wanda Sheraton Hotel	88-1 Tongjiang Middle Road, Xinbei District, Changzhou, Jiangsu	250	2011	31,500	100.0%
19.	Tangshan Wanda InterContinental Hotel	11 Wenhua Road, Lunan District, Tangshan, Hebei	287	2011	47,500	100.0%
20.	Dalian Wanda Conrad Hotel	1 Gangpu Road, Zhongshan District, Dalian, Liaoning	210	2012	99,800	100.0%
21.	Dalian Wanda Hilton Hotel	1 Gangpu Road, Zhongshan District, Dalian, Liaoning	371	2012	62,000	100.0%
22.	Taiyuan Wanda Vista Hotel	169 Jiefang Road, Taiyuan, Shanxi	359	2012	52,400	100.0%
23.	Ningde Wanda Realm Hotel	1 Tianhu East Road, Jiaocheng District, Ningde, Fujian	291	2012	40,800	100.0%
24.	Quanzhou Wanda Vista Hotel	719, Baozhou Road, Fengze District, Quanzhou, Fujian	322	2012	47,800	100.0%
25.	Changsha Wanda Vista Hotel	308 Xiangjiang Middle Road, Kaifu District, Changsha, Hunan	425	2012	65,800	100.0%
26.	Zhangzhou Wanda Realm Hotel	2 Jianyuan East Road, Longwen District, Zhangzhou, Fujian	298	2012	43,800	100.0%
27.	Huai'an Wanda Realm Hotel	153 Xiangyu Middle Road, Huai'an, Jiangsu	230	2012	44,600	100.0%
28.	Yixing Wanda Le Meridien Hotel	455 Yangxian East Road, Yixing, Jiangsu	280	2013	42,100	100.0%
29.	Wanzhou Wanda Doubletree Hotel	1001 Beibin Avenue, Wanzhou District, Chongqing	257	2013	37,400	100.0%
30.	Shenyang Wanda Vista Hotel	17-5 Yingpan West Street, Dongling District, Shenyang	300	2013	51,700	100.0%

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
31.	Fushun Wanda Realm Hotel	56-11 Hunhe South Road, Xinfu District, Fushun, Liaoning	280	2013	39,500	100.0%
32.	Tianjin Wanda Vista Hotel	486 Dazhigu Bahao Road, Hedong District, Tianjin	297	2013	48,300	100.0%
33.	Wuhan Wanda Realm Hotel	105 Donghu Road, Shuiguohu Street, Wuchang District, Wuhan	408	2013	47,200	100.0%
34.	Harbin Wanda Realm Hotel	158 Zhongxing Avenue, Nangang District, Harbin	345	2013	47,900	100.0%
35.	Nanchang Wanda Realm Hotel	1000-Middle Fenghuang Middle Avenue, Honggutan New District, Nanchang, Jiangxi	300	2013	41,500	100.0%
36.	Yinchuan Wanda Realm Hotel	9 Qinshui North Street, Jinfeng District, Yinchuan, Ningxia	305	2013	46,300	100.0%
37.	Dandong Wanda Realm Hotel	300 Jinshan Street, Zhenxing District, Dandong, Liaoning	302	2013	48,500	100.0%
38.	Nanjing Wanda Realm Hotel	59 Zhushan Road, Jiangning District, Nanjing, Jiangsu	303	2013	41,600	100.0%
39.	Guangzhou Zengcheng Wanda Realm Hotel	Block 10, 69 Licheng Zengcheng Avenue, Zengcheng District, Guangzhou	279	2014	36,200	100.0%
40.	Weifang Wanda Pullman Hotel	Building 1, 6636 Fushou East Street, Weifang, Shandong	284	2014	36,800	100.0%
41.	Chifeng Wanda Realm Hotel	12 Xilamulun Street, Hongshan District, Chifeng, Inner Mongolia	350	2014	47,400	100.0%
42.	Jining Wanda Realm Hotel	59 Taibai East Road, Jining, Shandong	279	2014	36,500	100.0%
43.	Jinhua Wanda Realm Hotel	799 Dongshi South Street, Jindong District, Jinhua, Zhejiang	330	2014	42,800	100.0%
44.	Changzhou Wujin Wanda Realm Hotel	299 Huayuan Street, Wujin District, Changzhou, Jiangsu	250	2014	34,200	100.0%
45.	Dongguan Dongcheng Wanda Vista Hotel	Block 5, 208 Dongzong Avenue, Dongcheng District, Dongguan	306	2014	44,100	100.0%
46.	Ma'anshan Wanda Realm Hotel	3200 Taibai Avenue, Yushan District, Ma'anshan, Anhui	286	2014	36,100	100.0%

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
47.	Jingzhou Wanda Realm Hotel	518 Beijing West Road, Jingzhou District, Jingzhou, Hubei	283	2014	37,000	100.0%
48.	Lanzhou Wanda Vista Hotel	52 Tianshui North Road, Chengguan District, Lanzhou, Gansu	307	2014	41,400	100.0%
49.	Kunming Wanda Vista Hotel	888 Qianxing Road, Xishan District, Kunming, Yunnan	302	2014	44,700	100.0%
50.	Longyan Wanda Realm Hotel	Building B2, Wanda Plaza, 1 Shuanglong Road, Xinluo District, Longyan, Fujian	306	2014	38,500	100.0%
51.	Jiangmen Wanda Realm Hotel	Block 3, Wanda Plaza, Fazhan Avenue, Pengjiang District, Jiangmen, Guangdong	360	2014	41,400	100.0%
52.	Wuhu Wanda Realm Hotel	69 Beijing Middle Road, Jinghu District, Wuhu, Anhui	281	2014	36,800	100.0%
53.	Bengbu Wanda Realm Hotel	4189 Donghai Avenue, Bengshan District, Bengbu, Anhui	286	2014	34,200	100.0%
54.	Nanning Wanda Vista Hotel	West Block 5 & 8, Qingxiu Wanda Plaza, 118 Dongge Road, Nanning, Guangxi	332	2014	49,800	100.0%
55.	Guangyuan Wanda Realm Hotel	108 Wanyuan Road, Wanyuan New District, Lizhou District, Guangyuan, Sichuan	286	2015	34,300	100.0%
56.	Neijiang Wanda Realm Hotel	888 Qixia Road, Dongxing District, Neijiang, Sichuan	262	2015	32,700	100.0%
57.	Huangshi Wanda Realm Hotel	30 Huahu Avenue, Huangshigang District, Huangshi, Hubei	263	2015	32,500	100.0%
58.	Anyang Wanda Realm Hotel	29 Zhonghua Road, Wenfeng District, Anyang, Henan	289	2015	33,800	100.0%
59.	Dongying Wanda Realm Hotel	730 Beiyi Road, Dongying District, Dongying, Shandong	285	2015	37,900	100.0%
60.	Tai'an Wanda Realm Hotel	Block 2, Wanda Plaza, 566 Taishan Street, Tai'an, Shandong	283	2015	43,200	100.0%
61.	Fuyang Wanda Realm Hotel	299 Yingzhou South Road, Yingzhou District, Fuyang, Anhui	286	2015	36,400	100.0%

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
62.	Liuzhou Wanda Realm Hotel	256 Donghuan Avenue, Chengzhong District, Liuzhou, Guangxi	285	2015	37,600	100.0%
63.	Hohhot Wanda Vista Hotel	26 Xinhua East Street, Hohhot, Inner Mongolia	315	2015	42,900	100.0%
64.	Zhengzhou Wanda Vista Hotel	16 Nongke Road, Jinshui District, Zhengzhou, Henan	292	2016	47,600	100.0%
65.	Siping Wanda Realm Hotel	1515 Ziqi Avenue, Tiedong District, Siping, Jilin	246	2016	32,200	100.0%
66.	Xining Wanda Realm Hotel	Building 1, 76 Xichuan South Road, Chengxi District, Xining, Qinghai	310	2016	42,600	100.0%
67.	Bozhou Wanda Realm Hotel	1088 Xiyi Avenue, Qiaocheng District, Bozhou, Anhui	244	2016	32,300	100.0%
68.	Urumqi Wanda Vista Hotel	777 Xuanwuhu Road, Economic and Technological Development District, Urumqi, Xinjiang	291	2016	47,500	100.0%
69.	Yiwu Wanda Realm Hotel	1 Xinke Road, Choujiang Subdistrict, Avenue Yiwu, Zhejiang	288	2016	37,900	100.0%
70.	Shangrao Wanda Realm Hotel	8 Guangxin Avenue, Xinzhou District, Shangrao, Jiangxi	280	2016	35,800	100.0%
71.	Nanning Wanda Realm Resort	No.6 Liangdi Road, Wuxiang New District, Nanning, Guangxi	224	2017	38,200	100.0%
72.	Qiqihar Wanda Realm Hotel	1 Xinjiang Road, Jianhua District, Qiqihar, Heilongjiang	312	2018	37,100	100.0%
73.	Changchun Wanda Vista Hotel	Sales Office, Wanda Wenhua Gongguan, Hongqi Street, Changchun, Jilin	257	2019	40,600	100.0%
74.	Yantai Wanda Vista Hotel	139 Shengli Road, Zhifu District, Yantai, Shandong	308	2014	44,200	70.0%

No.	Hotel name	Location	Number of rooms	Actual or estimated commencement date	GFA (sq.m.)	Interest attribute to us
75.	Dalian Wanda Commercial Centre	Gangpu Road, Zhangshan District, Dalian, Liaoning	–	2012	57,500	100.0%
Total			<u>22,059</u>		<u>3,253,700</u>	

Note:

- (1) The details regarding the 75 properties may be subject to adjustment due to due diligence and are conditional on the final approval from the relevant PRC government authorities.

Other recent developments

In October 2017, one of our wholly-owned subsidiaries, Trillion Chance Limited 兆運有限公司, issued the 2018 Notes in the aggregate principal amount of US\$800.0 million. See “Description of Material Indebtedness and Other Obligations – The 2018 Notes” for more details.

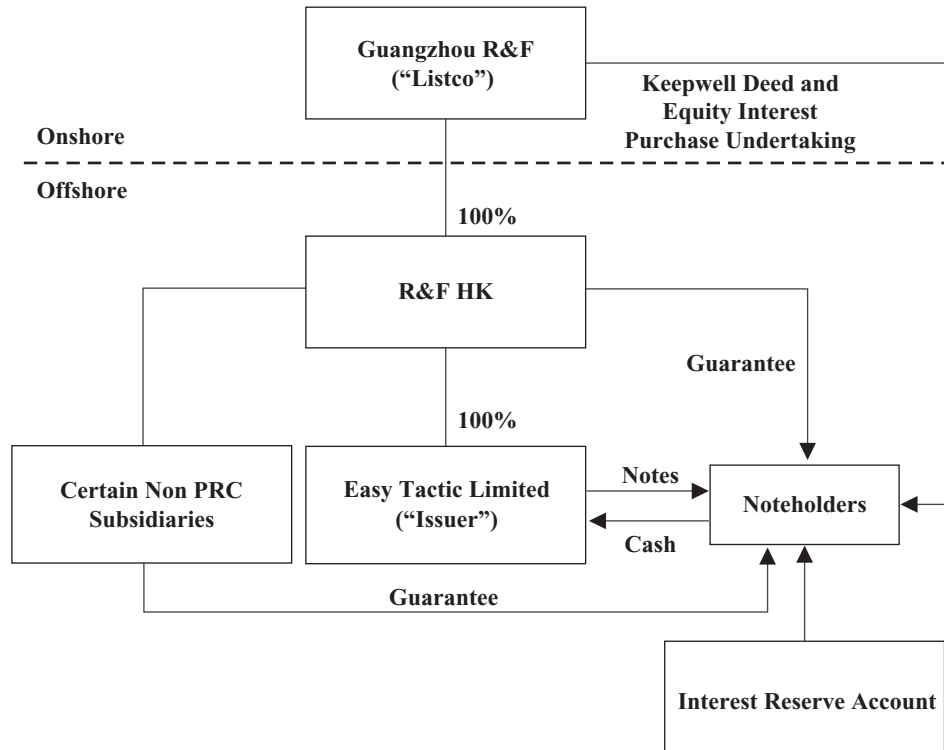
On 10 October 2017, our wholly-owned subsidiary, Trillion Glory Limited, entered into a loan agreement with, among others, CMB International Finance Limited as the arranger, and Wing Lung Bank Limited as facility agent and security agent, for a loan in an aggregate principal amount of US\$650.0 million. See “Description of Material Indebtedness and Other Obligations – CMB International Loan” for more details.

On 24 October 2017, our wholly-owned subsidiary, Vauxhall Square (Nominee 1) Limited, entered into a loan agreement with China CITIC Bank International Limited for a loan in the aggregate principal amount of HK\$835.0 million. See “Description of Material Indebtedness and Other Obligations – China CITIC Bank Loan” for more details.

OFFER STRUCTURE

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

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



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

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

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

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

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

Keepwell Deed

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

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

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

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

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

The Equity Interest Purchase Undertaking

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

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

Upon receipt of the written notice from the Trustee, the Company is required to acquire equity interests of certain onshore project companies, the capital stock of which is held by the Relevant Transferor(s) (as defined in the Equity Interest Purchase Undertaking). See "Risk

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

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

SUMMARY OF THE OFFERING

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

Terms of the Offering

Issuer	Easy Tactic Limited 怡略有限公司.
Issue	US\$500,000,000 in aggregate principal amount of 5.875% Senior Notes due 2023 (the “Notes”).
Issue Price	100%.
Form and Denomination.	The Notes will be issued in registered form without coupons attached in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
Interest	The Notes will bear interest from and including 17 November 2017 at the rate of 5.875% per annum, payable on 17 May and 17 November in each year commencing on 17 May 2018, except that the last payment of interest, to be made on the Maturity Date, will be in respect of the period from and including 17 May 2022 to but excluding Maturity Date.
Ranking of the Notes.	<p>The Notes are:</p> <ul style="list-style-type: none"> ● the direct, unsubordinated, unconditional and secured obligations of the Issuer; ● <i>pari passu</i> and without preference or priority among themselves; ● guaranteed by the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) on a senior basis; and ● effectively subordinated to the other secured obligations of the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors to the extent of the value of the assets serving as security therefor. <p>In addition, the Notes will be secured by certain security over the Collateral as described below under the caption “— Security” and:</p> <ul style="list-style-type: none"> ● are entitled to a Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

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

Subsidiary Guarantees
and JV Subsidiary
Guarantees

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

Restricted Subsidiaries of the Company organized outside the PRC as of the Original Issue Date that are not Subsidiary Guarantors or JV Subsidiary Guarantors on the Original Issue Date are collectively referred to as the “Initial Offshore Non-Guarantor Subsidiaries”. The Initial Offshore Non-Guarantor Subsidiaries will not guarantee the obligations of the Issuer under the Trust Deed or the Notes on the Original Issue Date.

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

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

Ranking of Subsidiary Guarantees and JV Subsidiary Guarantees . . .	<p>The Subsidiary Guarantee of each Subsidiary Guarantor is a general obligation of such Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), at all times rank <i>pari passu</i> with all of the other present and future unsecured and unsubordinated obligations of such Subsidiary Guarantor.</p> <p>The JV Subsidiary Guarantee of each JV Subsidiary Guarantor is a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor and at all times rank <i>pari passu</i> with all of the other present and future unsecured and unsubordinated obligations of such JV Subsidiary Guarantor.</p>
Security	<p>The Company will, for the benefit of the holders of the Notes, cause R&F HK and the initial Subsidiary Guarantor Pledgors to charge in favour of, <i>inter alia</i>, the Security Trustee the Capital Stock of the Issuer and the initial Subsidiary Guarantors other than that of R&F HK (subject to Permitted Liens and Permitted Pari Passu Secured Indebtedness).</p> <p>In addition, the Issuer will for the benefit of the holders of the Notes, charge in favour of the Security Trustee an Interest Reserve Account established in the name of the Issuer with the Account Bank.</p> <p>See “Terms and Conditions of the Notes — Security”.</p>
Interest Reserve Account . . .	<p>On the Closing Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account an amount equal to one interest payment on the Notes.</p> <p>The Interest Reserve Account will be established with the Account Bank.</p> <p>So long as there has not occurred any Default (as defined in the Conditions), the Issuer may by written notice to the Account Bank direct the Account Bank to release such amount from the Interest Reserve Account for payment of any interest due and payable under the Notes.</p> <p>The Issuer shall, after each such withdrawal is made, deposit an amount into the Interest Reserve Account within 30 days after such withdrawal to ensure that the Reserve Fund after such deposit shall be no less than the Minimum Balance as of the deposit date.</p> <p>See “Terms and Conditions of the Notes — Covenants — Covenants in respect of the Collateral and the Interest Reserve Account”.</p>

Intercreditor Agreement . . .	Pursuant to the terms of an intercreditor agreement dated as of 24 January 2013, as such may be further amended, modified or supplemented from time to time (the “ Intercreditor Agreement ”), the parties thereto agreed, among other things, that (a) Citicorp International Limited as the collateral agent (the “ Collateral Agent ”), holds the Collateral on behalf of the Secured Parties (as defined in “Terms and Conditions of the Notes”); (b) the Secured Parties shall share equal priority and pro rata entitlement in and to the Collateral; (c) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (d) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby.
Use of Proceeds	We intend to use the net proceeds to refinance debt and for general corporate purposes.
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described in “Terms and Conditions of the Notes”, the Issuer may redeem all of the Notes at a redemption price equal to 100% of the principal amount, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption if the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws. See “Terms and Conditions of the Notes — Redemption and purchase — Redemption for taxation reasons”.
Repurchase of Notes Upon Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Issuer may be required to purchase Notes outstanding at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. See “Terms and Conditions of the Notes — Redemption and purchase — Change of control”.
Make Whole Redemption . .	At any time prior to 17 November 2020, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium (as defined herein) for the Notes and accrued and unpaid interest, if any, to (but not including) the redemption date and any additional amounts. See “Terms and Conditions of the Notes — Redemption and purchase — Make whole redemption”.
Optional Redemption	The Issuer may at its option redeem the Notes, in whole or in part, on or after 17 November 2020, at the redemption prices set forth in “Terms and Conditions of the Notes” plus accrued and unpaid interest, if any, to (but not including) the redemption date. See “Terms and Conditions of the Notes – Optional Redemption”.

Covenants	<p>The Notes, the Trust Deed and the Subsidiary Guarantees will limit the Issuer from incurring indebtedness and limit the ability of the Company and its Restricted Subsidiaries, to, among other things:</p> <ul style="list-style-type: none"> ● incur or guarantee additional indebtedness; ● issue disqualified or preferred stock; ● declare dividends on its capital stock or purchase or redeem capital stock; ● make investments or other specified restricted payments; ● issue or sell capital stock of Restricted Subsidiaries; ● guarantee indebtedness by Restricted Subsidiaries; ● sell assets; ● create liens; ● enter into sale and leaseback transactions; ● enter into agreements that limit the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; ● enter into transactions with shareholders or affiliates; and ● effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in "Terms and Conditions of the Notes — Covenants".</p>
Keepwell Deed	The Company will enter into a keepwell deed with the Issuer, R&F HK and the Trustee as more fully described in "Description of the Keepwell Deed".
Equity Interest Purchase Undertaking	The Company will enter into a deed of equity interest purchase undertaking with R&F HK and the Trustee as more fully described in "Description of the Equity Interest Purchase Undertaking".
Book-entry Only	The Notes will be represented by a global certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Notes represented by the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream.

Delivery of the Notes	The Issuer expects to make delivery of the Notes against payment in same-day funds on or about 17 November 2017.	
Trustee and Security Trustee	Citicorp International Limited.	
Principal Agent for the Notes	Citibank, N.A., London Branch.	
Registrar for the Notes	Citigroup Global Markets Deutschland AG.	
Listings	Application will be made for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).	
Security Codes	<u>ISIN</u>	<u>Common Code</u>
	XS1720054383	172005438
Governing Law	<p>The Notes and the Trust Deed governing the Notes will be governed by and will be construed in accordance with the laws of England.</p> <p>The Company has registered the issuance of the Notes with NDRC and obtained a certificate from NDRC dated 2 November 2017 evidencing such registration. Pursuant to the registration certificate, the effective issuance period for the Notes is up to the end of March 2018.</p>	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors”.	

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data of the Group. The summary consolidated income statement data for the years ended 31 December 2014, 2015 and 2016 and the summary consolidated balance sheet data as of 31 December 2014, 2015 and 2016 set forth below (except for EBITDA data) of the Group have been derived from our consolidated financial statements of the Company for the years ended 31 December 2015 and 2016, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended 30 June 2016 and 2017 and the summary condensed consolidated balance sheet data of the Group as of 30 June 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements of the Company for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future years. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements of the Company, including the notes thereto, which are included elsewhere in this offering memorandum.

Summary Consolidated Income Statement Data of the Group

	Year ended 31 December				Six months ended 30 June		
	2014 (Audited) CNY	2015 (Audited) CNY	2016 (Audited) CNY	2016 (Unaudited) US\$ (in thousands)	2016 (Unaudited) CNY	2017 (Unaudited) CNY	2017 (Unaudited) US\$
Revenue	34,705,410	44,290,924	53,730,339	7,925,647	22,389,435	20,413,922	3,011,214
Cost of sales	(22,391,431)	(30,083,853)	(38,543,599)	(5,685,484)	(16,706,704)	(13,021,536)	(1,920,779)
Gross profit	12,313,979	14,207,071	15,186,740	2,240,163	5,682,731	7,392,386	1,090,435
Other income and other gains — net ⁽¹⁾	2,030,304	1,518,092	2,257,206	332,956	978,941	731,689	107,930
Selling and marketing costs	(896,059)	(896,657)	(1,315,362)	(194,026)	(521,826)	(723,874)	(106,777)
Administrative expenses	(2,220,501)	(2,409,572)	(2,672,863)	(394,268)	(1,270,808)	(1,514,901)	(223,460)
Operating profit	11,227,723	12,418,934	13,455,721	1,984,825	4,869,038	5,885,300	868,128
Finance costs	(1,215,921)	(2,153,995)	(2,367,045)	(349,158)	(1,000,874)	(968,381)	(142,844)
Share of results of joint ventures	169,789	1,343,455	844,493	124,569	178,463	(70,874)	(10,454)
Share of results of associates	(25,205)	(18,893)	(64,329)	(9,489)	(14,854)	24,921	3,676
Profit before income tax	10,156,386	11,589,501	11,868,840	1,750,747	4,031,773	4,870,966	718,506
Income tax expenses	(3,649,997)	(4,877,229)	(4,812,823)	(709,929)	(1,607,614)	(2,390,213)	(352,575)
Profit for the year/period	6,506,389	6,712,272	7,056,017	1,040,818	2,424,159	2,480,753	365,931

Note:

- (1) Since 2015, we have consolidated “other gains — net” and “other operating income,” into “other income and other gains — net” due to better presentation of the financial statement line items.

Other financial data

	Year ended 31 December				Six months ended 30 June		
	2014 (Unaudited) CNY	2015 (Unaudited) CNY	2016 (Unaudited) CNY	2016 (Unaudited) US\$	2016 (Unaudited) CNY	2017 (Unaudited) CNY	2017 (Unaudited) US\$
	(in thousands, except percentages)						
EBITDA ⁽¹⁾	12,848,699	14,561,859	16,264,569	2,399,152	5,954,319	7,048,996	1,039,782
EBITDA Margin ⁽²⁾	37.0%	32.9%	30.3%	30.3%	26.6%	34.5%	34.5%

Notes:

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

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

	Year ended 31 December				Six months ended 30 June			
	2014 CNY	2015 CNY	2016 CNY	2016 US\$	2016 CNY	2016 US\$	2017 CNY	2017 US\$
	(in thousands)							
Profit before income tax	<u>10,156,386</u>	<u>11,589,501</u>	<u>11,868,840</u>	<u>1,750,747</u>	<u>4,031,773</u>	<u>594,718</u>	<u>4,870,966</u>	<u>718,506</u>
Adjustments:								
Other income and other gains — net (excluding fair value gains on investment properties)	(392,130)	(412,440)	(516,394)	(76,172)	(261,827)	(38,622)	(252,429)	(37,235)
Share of results of:								
Associates	25,205	18,893	64,329	9,489	14,854	2,191	(24,921)	(3,676)
Joint ventures	(169,789)	(1,343,455)	(844,493)	(124,569)	(178,463)	(26,325)	70,874	10,454
Finance costs	2,756,324	4,255,851	5,070,329	747,913	2,047,567	302,032	2,061,593	304,101
Depreciation and amortisation	472,703	453,509	621,958	91,744	300,415	44,314	322,913	47,632
EBITDA	<u>12,848,699</u>	<u>14,561,859</u>	<u>16,264,569</u>	<u>2,399,152</u>	<u>5,954,319</u>	<u>878,308</u>	<u>7,048,996</u>	<u>1,039,782</u>

- (2) EBITDA margins is calculated by dividing EBITDA by revenue.

Summary Consolidated Balance Sheet Data of the Group

	As of 31 December				As of 30 June	
	2014	2015	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	1,198,045	1,264,041	1,933,706	285,237	2,164,766	319,320
Property, plant and equipment	7,495,641	9,009,864	10,928,178	1,611,992	11,458,691	1,690,247
Investment properties	18,047,632	19,251,951	22,068,681	3,255,304	22,995,277	3,391,984
Intangible assets	977,958	1,034,849	1,079,572	159,245	1,037,045	152,972
Interests in joint ventures	4,617,519	5,954,631	6,795,392	1,002,374	6,962,734	1,027,058
Interests in associates	86,213	71,052	166,908	24,620	181,990	26,845
Deferred income tax assets	2,927,764	3,295,186	4,253,861	627,478	5,107,848	753,448
Available-for-sale financial assets . .	535,477	645,140	710,130	104,750	532,500	78,548
Trade and other receivables and prepayments.	3,772,884	4,046,552	97,420	14,370	297,820	43,931
	39,659,133	44,573,266	48,033,848	7,085,370	50,738,671	7,484,353
CURRENT ASSETS						
Properties under development	81,327,691	78,671,926	81,134,542	11,967,982	102,988,154	15,191,562
Completed properties held for sale. .	17,222,116	22,427,988	26,783,018	3,950,706	27,138,655	4,003,165
Inventories	358,831	414,888	325,932	48,078	267,022	39,388
Trade and other receivables and prepayments	10,890,728	13,576,168	21,582,812	3,183,634	26,750,862	3,945,962
Tax prepayments	2,551,852	2,784,288	2,582,245	380,901	3,387,622	499,701
Restricted cash	6,339,497	6,814,094	20,663,067	3,047,965	16,737,481	2,468,910
Time Deposits	—	500,000	—	—	—	—
Cash and cash equivalents	13,490,425	13,970,313	25,306,015	3,732,836	15,683,689	2,313,467
	132,181,140	139,159,665	178,377,631	26,312,102	192,953,485	28,462,155
Total assets	171,840,273	183,732,931	226,411,479	33,397,472	243,692,156	35,946,507
EQUITY						
Share capital	805,592	805,592	805,592	118,831	805,592	118,831
Retained earnings	30,749,658	35,404,023	38,293,091	5,648,532	38,440,072	5,670,213
Shares held for Share Award Scheme	(128,711)	(88,947)	—	—	—	—
Other reserves	4,538,822	4,590,948	4,679,469	690,258	4,525,596	667,561
Perpetual capital instruments	15,648,416	7,977,869	2,404,327	354,657	2,403,933	354,599
Non-controlling interests.	531,785	527,895	653,718	96,429	850,640	125,476
Total equity	52,145,562	49,217,380	46,836,197	6,908,707	47,025,833	6,936,680
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	45,553,602	49,759,398	87,170,166	12,858,284	97,803,332	14,426,760
Deferred income tax liabilities. . . .	3,278,908	3,935,947	4,930,892	727,345	5,360,676	790,742
Accruals and other payables	171,222	—	—	—	—	—
	49,003,732	53,695,345	92,101,058	13,585,629	103,164,008	15,217,502
CURRENT LIABILITIES						
Accruals and other payables	19,270,956	18,727,912	21,951,465	3,238,014	25,199,175	3,717,076
Deposits received on sale of properties	19,225,725	18,407,668	19,546,810	2,883,308	30,535,114	4,504,169
Current income tax liabilities	10,089,230	11,005,384	12,294,031	1,813,466	12,429,166	1,833,400
Short-term borrowings	3,085,000	5,661,596	10,631,230	1,568,190	9,448,199	1,393,684
Current portion of long-term borrowings	19,020,068	27,017,646	23,050,688	3,400,158	15,890,661	2,343,997
	70,690,979	80,820,206	87,474,224	12,903,136	93,502,315	13,792,326
Total liabilities	119,694,711	134,515,551	179,575,282	26,488,765	196,666,323	29,009,827
Total equity and liabilities	171,840,273	183,732,931	226,411,479	33,397,472	243,692,156	35,946,507
Net current assets	61,490,161	58,339,459	90,903,407	13,408,966	99,451,170	14,669,829
Total assets less current liabilities . .	101,149,294	102,912,725	138,937,255	20,494,336	150,189,841	22,154,181

The following table presents the summary unaudited financial and other data of R&F HK. The summary consolidated income statement data for the years ended 31 December 2014, 2015 and 2016 and the summary consolidated balance sheet data as of 31 December 2014, 2015 and 2016 set forth below have been derived from the reviewed consolidated financial statements of R&F HK as of and for the years ended 31 December 2015 and 2016, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and are included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended 30 June 2016 and 2017 and the summary condensed consolidated balance sheet data as of 30 June 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. The financial statements of R&F HK have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The financial results of R&F HK for any past period are not, and should not be taken as, an indication of its performance, financial position or results of operations in future years.

Summary Unaudited Consolidated Income Statement Data of R&F HK

	Year ended 31 December				Six months ended 30 June		
	2014 (Unaudited) CNY	2015 (Unaudited) CNY	2016 (Unaudited) CNY	2016 (Unaudited) US\$ (in thousands)	2016 (Unaudited) CNY	2017 (Unaudited) CNY	2017 (Unaudited) US\$
Revenue	2,012,886	1,372,798	5,010,288	739,057	2,611,982	1,581,169	233,235
Cost of sales	(1,281,042)	(1,037,577)	(4,003,533)	(590,553)	(2,108,098)	(1,027,135)	(151,510)
Gross profit	731,844	335,221	1,006,755	148,504	503,884	554,034	81,724
Other income and other gains — net	158,925	281,747	387,738	57,194	24,054	158,131	23,326
Selling and marketing costs	(97,334)	(117,189)	(188,549)	(27,812)	(54,139)	(108,869)	(16,059)
Administrative expenses	(291,006)	(329,925)	(397,637)	(58,655)	(233,115)	(200,934)	(29,639)
Operating profit	502,429	169,854	808,307	119,232	240,684	402,362	59,352
Finance costs	(1,507,587)	(2,427,886)	(2,018,089)	(297,684)	(454,164)	(2,732)	(403)
Share of results of joint ventures	89,873	174,383	(11,018)	(1,625)	13,196	(41,723)	(6,154)
Share of results of associates	(24,203)	(1,353)	(1,380)	(204)	(3,024)	(296)	(44)
Profit/(loss) before income tax	(939,488)	(2,085,002)	(1,222,180)	(180,281)	(203,308)	357,611	52,750
Income tax expenses	(39,487)	92,109	(143,826)	(21,215)	(34,062)	(80,627)	(11,893)
Profit/(loss) for the year/ period	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(1,366,006)</u>	<u>(201,497)</u>	<u>(237,370)</u>	<u>276,984</u>	<u>40,857</u>
Profit/(loss) attributable to:							
— Owners of the company	(955,341)	(1,996,603)	(1,395,105)	(205,789)	(231,827)	267,875	39,514
— Non-controlling interests	(23,634)	3,710	29,099	4,292	(5,543)	9,109	1,344
	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(1,366,006)</u>	<u>(201,497)</u>	<u>(237,370)</u>	<u>276,984</u>	<u>40,857</u>

Summary Unaudited Consolidated Balance Sheet Data of R&F HK

	As of 31 December				As of 30 June	
	2014	2015	2016	2016	2017	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	385,044	411,442	394,660	58,215	387,949	57,226
Property, plant and equipment	1,683,019	1,928,312	1,894,630	279,473	1,861,151	274,534
Investment properties	4,994,525	5,248,285	5,548,926	818,510	5,692,484	839,686
Intangible assets	4,586	9,402	8,050	1,187	7,190	1,061
Interests in joint ventures	1,677,809	1,852,192	1,841,174	271,588	2,025,844	298,828
Interests in associates	433,123	491,294	489,914	72,266	489,617	72,222
Deferred income tax assets	269,978	349,193	450,300	66,423	527,654	77,833
Trade and other receivables and prepayments	1,892	—	—	—	200,300	29,546
	9,449,976	10,290,120	10,627,654	1,567,662	11,192,189	1,650,936
CURRENT ASSETS						
Properties under development	7,021,835	9,165,194	8,414,665	1,241,229	13,208,424	1,948,346
Completed properties held for sale.	848,277	1,014,655	3,374,639	497,786	2,581,892	380,849
Inventories	7,586	8,490	7,899	1,165	20,546	3,031
Trade and other receivables and prepayments	6,405,005	4,975,181	8,235,613	1,214,818	13,139,470	1,938,175
Tax prepayments	74,598	223,928	155,470	22,933	256,982	37,907
Restricted cash	741,706	1,014,420	869,852	128,310	805,296	118,787
Time deposits	—	500,000	—	—	—	—
Cash.	1,906,679	1,134,037	11,129,808	1,641,734	1,591,348	234,736
	17,005,686	18,035,905	32,187,946	4,747,975	31,603,958	4,661,832
Total assets	26,455,662	28,326,025	42,815,600	6,315,637	42,796,147	6,312,768
EQUITY						
Share capital	10	10	10	1	10	1
Retained earnings	2,174,479	177,876	(1,217,229)	(179,551)	(949,354)	(140,039)
Other reserves	5,810	27,576	22,784	3,361	256	38
Non-controlling interests.	1,181,897	1,188,014	1,217,113	179,534	1,226,222	180,877
Total equity	3,362,196	1,393,476	22,678	3,345	277,134	40,879
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	16,488,468	8,200,600	10,917,575	1,610,428	17,718,867	2,613,672
Deferred income tax liabilities.	1,027,296	1,063,589	1,138,538	167,943	1,166,170	172,019
	17,515,764	9,264,189	12,056,113	1,778,371	18,885,037	2,785,691
CURRENT LIABILITIES						
Accruals and other payables	2,511,933	2,082,306	8,244,472	1,216,124	12,027,221	1,774,110
Deposits received on sale of properties	615,254	2,079,079	1,258,254	185,602	2,314,046	341,340
Current income tax liabilities	617,155	491,735	536,976	79,208	508,010	74,935
Short-term borrowings	1,700,000	—	8,619,900	1,271,503	7,779,699	1,147,567
Current portion of long-term borrowings	133,360	13,015,240	12,077,207	1,781,483	1,005,000	148,245
	5,577,702	17,668,360	30,736,809	4,533,921	23,633,976	3,486,197
Total liabilities	23,093,466	26,932,549	42,792,922	6,312,292	42,519,013	6,271,888
Total equity and liabilities	26,455,662	28,326,025	42,815,600	6,315,637	42,796,147	6,312,768

RISK FACTORS

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

Risks Relating to Our Business

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

Our business and prospects depend on the performance of the property market in the PRC, in particular, in the Pearl River Delta and the Bohai Rim regions. As of 30 June 2017, we had 217 projects at various stages of development located in China, Malaysia, Australia, Korea and the United Kingdom, 83 of which were completed and 134 of which were under development or held for future development. As of 30 June 2017, 94 of our projects were located in Guangzhou, Beijing and Tianjin. Any real estate market downturn in the PRC generally and, in particular, in Guangzhou, Beijing and Tianjin where we have a concentration of properties, could adversely affect our business, results of operations and financial condition. We cannot assure you that the demand for new properties in Beijing, Guangzhou, Tianjin and other regions and cities in China where we operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, volatility in market conditions and fluctuations in property prices, as well as the demand and supply for property have been affected and will continue to be affected by the economic, social, political and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sectors in Guangzhou, Beijing and Tianjin and other cities and regions of China. Any adverse development in the property market in Guangzhou, Beijing, Tianjin or other regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

Our results of operations may vary significantly from period to period

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

The failure to successfully integrate the business and operations of the 74 hotels and one commercial property acquired from Dalian Wanda may adversely affect our reputation and future results

We believe that the acquisition of the 74 hotels and one commercial property from Dalian Wanda will enhance our long-term assets and existing portfolio of hotel assets in the PRC. The success of the acquisition will depend on our ability to successfully integrate the business and operations of these hotels and property into our existing business and operations. We may fail to successfully integrate the acquired hotels and property for a variety of reasons, including the following:

- failure to preserve important customer relationships;
- failure to obtain the necessary regulatory approvals for the acquisition;
- failure to devote sufficient management time and resources to the integration of the acquired hotels;
- failure to negotiate and work with the existing hotel management companies;
- failure to leverage the increased scale of the expanded business quickly and effectively;
- failure to retain key employees or hire additional personnel necessary for the running of the acquired hotels;
- failure to consolidate relevant corporate and administrative infrastructures;
- potential incompatibility of technologies and systems; and
- failure to effectively coordinate the sales and marketing efforts for the acquired hotels.

The acquired hotels and property may underperform relative to expectations or may expose us to unexpected liabilities. If we are unable to successfully manage the integration and ongoing operations, the results of our operations and branch performance could be adversely affected.

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

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Based on our current rate of property development, we believe we have sufficient land reserves for development for the next several years. To have a steady stream of developed properties available for sale and support sustainable growth, we need to replenish and increase our land reserves with additional land suitable for development.

Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The supply of substantially all of the land in China is controlled by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property

developers. In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. In 2007, the Ministry of Land and Resources of the PRC (the “Ministry of Land and Resources”) issued revised Provisions on the Assignment of State-Owned Construction Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定), which further stipulate legal and procedural requirements on the means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium must be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the State-Owned Construction Land Use Rights Certificate can be issued to the land user. For more details, see “— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector”. The PRC government’s policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC.

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

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

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

We may not be able to obtain land use rights certificates with respect to certain parcels of land. Under current PRC land grant policies, the relevant authorities will not issue the formal land use right certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions, and the land use rights for properties and lands will not be formally vested until corresponding land use right certificates have been issued. As of the date of this offering memorandum, among our material PRC entities, the assets of which contribute to over 2% of our total assets and the revenue generated by which contributes to over 2% of our total revenue, there are several parcels of land related to Beijing R&F New Town and Baotou R&F New Town for which we have been issued or entered into land grant confirmation letters or land grant contracts but have not obtained the land use rights certificates. As of 30 June 2017, we had paid land premium in the aggregate amount of approximately CNY103,200.0 million (US\$15,222.8 million) and had outstanding commitments totalling approximately CNY19,100.0 million (US\$2,817.4 million) for our 80 projects under development and 54 projects held for future development (including our proportion in the joint-venture projects).

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

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

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum land premium down payment to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. In May 2014, the PRC government set the land premium at no less than the lowest standard of land use fee stipulated by the State. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. In April 2017, the PRC government required local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

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

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

Property development is capital intensive. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales or pre-sales over the same period. For example, we experienced a net cash outflow from operating activities of CNY355.9 million, CNY3,337.9 million (US\$492.4 million) and CNY8,667.7 million (US\$1,278.6 million), respectively, for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2017, primarily due to interest paid and payments for enterprise income tax and land appreciation tax. We finance our property projects primarily through a combination of internal funds, project loans from banks, capital contributions from shareholders, proceeds from pre-sales and sales of our developed properties and other financing sources. See “Description of Material Indebtedness and Other Obligations.” As of 30 June 2017, our total bank loans amounted to CNY51,579.7 million (US\$7,608.4 million). Our ability to make acquisitions of land or companies and to procure adequate and suitable financing for property developments depends on a number of factors that are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, financing costs and monetary policies in China.

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

- The PBOC has prohibited commercial banks from granting loans to property developers to pay land premiums since June 2003;
- The PBOC has restricted PRC commercial banks from granting project loans for the development of luxury residential properties since 2003;
- The MOHURD (also known as the “Ministry of Construction”) and other PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格的意見) in May 2006, which, among other things:
 - restricts the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
 - prohibits commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans;
- The PBOC and the CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) in September 2007, which, among other things:
 - prohibits commercial banks from granting loans to property projects if the developer’s own capital is less than 35% of the total investment amount;
 - prohibits commercial banks from granting loans to property projects that have not obtained land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits;

- requires that commercial bank loans to property developers only be classified as real estate development loans and not as general working capital loans or any other loans; and
 - requires that real estate development loan proceeds may only be used for developments in the local city where the loan is originated;
- In November 2009, the PRC government raised the minimum down-payment of land premium for land purchase to 50% and stipulated the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions; and
 - In March 2010, the Ministry of Land and Resources stipulated that the minimum down payment of land premium of 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract.

On 3 January 2008, the State Council issued the Notice on Promoting the Economical and Intensive Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilisation priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also urges financial institutions to exercise caution when they review loan applications from property developers that have failed to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that a value-added land premium will be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by the Ministry of Land and Resources and other authorities. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

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

The MOHURD and the Ministry of Land and Resources 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) dated 1 April 2017 which provides, among other things, that local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands. Property developers that attempt to acquire lands with funds generated from other sources will be forbidden from land bidding for a certain period of time.

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

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

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

We make LAT prepayments and provisions in respect of our property development activities. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities, in particular, the local tax bureau of Guangzhou and other cities and regions where we operate our business, determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount immediately, our cash flow, results of operations and financial condition may be materially and adversely affected.

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

We maintain a significant amount of indebtedness to finance our operations. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our total bank loans were CNY34,538.7 million, CNY38,921.2 million, CNY46,068.0 million (US\$6,795.4 million) and CNY51,579.7 million (US\$7,608.4 million), respectively. Our gearing ratio, calculated as net debt (total borrowings less cash and cash equivalents, restricted cash and time deposits) divided by total equity was 91.7%, 124.3%, 159.9% and 192.9% as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. Of our total outstanding bank loans of CNY51,579.7 million (US\$7,608.4 million) as of 30 June 2017, CNY19,268.7 million (US\$2,842.3 million) was repayable within 12 months and CNY32,311.0 million (US\$4,766.1 million) was repayable in

more than one year. We have also, since 30 June 2017, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes. See “Description of Material Indebtedness and Other Obligations”.

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

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

We had negative net operating and investing cash flows for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2017 and negative net operating cash flows for the year of 2016. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, we recorded negative net cash flows from operating activities of approximately CNY22,064.8 million, CNY355.9 million, CNY3,337.9 million (US\$492.4 million) and CNY8,667.7 million (US\$1,278.6 million), respectively. Our negative net operating cash flow was principally attributable to project development and construction, land acquisitions, long-term and capital-intensive nature of property development and our business expansion during such periods. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2017, we recorded negative net cash flows from investing activities of approximately CNY2,129.9 million, CNY2,762.5 million and CNY2,754.1 million (US\$406.3 million), respectively. Our negative net investing cash flow was principally attributable to the purchase of fixed assets and intangible assets, cash advances to joint ventures and associates and investments in joint ventures and associates.

In 2014, 2015 and 2016 and the six months ended 30 June 2017, we funded our capital expenditure with internal resources and external financing. We cannot assure you that we will not experience negative net cash flows in the future. Negative net operating and investing cash flows require us to obtain sufficient external financing to meet our financial needs and obligations. If

we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned or meet our capital expenditure requirements. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such

agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See “— Risks Relating to Our Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result”.

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

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

We rely and will continue to rely on third-party property management companies to conduct the daily operation of these serviced apartments and hotels. If their performance is not satisfactory to our guests or tenants, the occupancy rate and/or rental value for our hotels and serviced apartments may decrease, and thus adversely affect our results of operations and our reputation. We also may not be able to reduce the costs associated with the management of hotels and serviced apartments in a timely manner in response to changes in demand for those properties. The hotel management partners that operate our hotels and serviced apartments have no exclusive arrangements with us and own, operate or franchise properties other than our properties, including properties that may compete with our properties. Therefore, our hotel management partners may have interests that differ from or conflict with our own with respect to short-term or long-term goals and objectives. These differences may be significant depending upon many factors, including the remaining term of our management or tenancy agreement, trade area restrictions with respect to competition or differing policies, procedures or practices. Any of these factors may adversely impact the operations and results of operations of our hotels and serviced apartments, which could harm our business, financial condition and results of operations.

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

In the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, revenue from our hotel operations constituted approximately 3.2%, 2.7%, 2.5% and 3.5%, respectively, of our total revenue for such periods. A number of factors, many of which are common to the hotel industry and are beyond our control, could affect our business, including the following:

- adverse economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;

- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;
- increased competition and periodic local oversupply of guest accommodation may adversely affect occupancy rates and room rates;
- increases in operating costs due to inflation, labour costs (including the impact of unionisation), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- seasonality in travel patterns;
- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

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

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

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

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

While we have historically focused on developing properties in Guangzhou, Beijing and its vicinity and Tianjin, we have expanded into other cities in China such as Shanghai and its vicinity, Hangzhou and its vicinity, Xian, Chongqing, Hainan, Taiyuan, Shenyang and its vicinity, Huizhou and its vicinity, Nanjing, Chengdu, Harbin, Datong, Wuxi, Changsha and its vicinity, Meizhou, Fuzhou, Guiyang, Nanning, Foshan, Zhuhai, Baotou, Zhengzhou, Shijiazhuang, Shenzhen, Ningbo, Nanchang, Yantai, Qinhuangdao, Huhhot, Dalian, Nantong, Tangshan, Wenzhou and its vicinity, Huzhou, Chuzhou, Putian, Jiangmen, Dongying, Zhangzhou, Fuyang, Sanming, Longyan, Jiujiang, Johor Bahru in Malaysia, Melbourne and Brisbane in Australia, Incheon in Korea and London in the United Kingdom, and intend to further explore other promising markets in China and other countries. We have limited knowledge of the conditions of these other local property markets and little or no experience in property development in these regions and overseas. Our expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in our target regional and overseas markets within a relatively short period of time. As we enter new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behaviour, preferences and local laws and regulations as compared to the cities where we are an established property developer. In addition, when we enter new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. These potential risks may be particularly acute in Malaysia and Australia where we are operating in foreign countries. Therefore, our expansion is subject to, among others, changes in local governmental laws and regulations and we cannot assure you that we can successfully execute our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources. Any failure in effectively managing our expanded operations may materially and adversely affect our business, prospects, results of operations and financial condition.

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

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

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

We are required to reassess the fair value of our investment properties as of each balance sheet date. In accordance with HKFRS, gains or losses arising from changes in the fair value of our investment properties should be accounted for in our consolidated income statement in the period in which they arise. Our investment properties were revalued by independent property valuers as of 31 December 2014, 2015 and 2016, respectively, on an open market for existing use basis which reflected market conditions at those dates. Based on such valuation, we recognised the aggregate fair market value of our investment properties on our consolidated balance sheet, and recognised changes in fair values of investment properties and the relevant deferred tax on our consolidated income statement. In 2014, 2015 and 2016 and the first half of 2017, the fair value gains on our investment properties, net of tax, were CNY1,228.6 million, CNY830.7 million, CNY1,306.6 million (US\$192.7 million) and CNY359.8 million (US\$53.1 million), respectively, and accounted for approximately 18.9%, 12.4%, 18.5% and 14.5%, respectively, of our profit for the respective years.

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

We have mortgaged certain properties to secure our borrowings

We have mortgaged certain of our properties to secure some of our general banking facilities. If we default on such banking facilities, the lenders may foreclose such properties we mortgage. Although the terms of our indebtedness and the Notes limit our ability to incur certain liens, we cannot assure you that we will not mortgage our properties or pledge shares in subsidiaries to secure our borrowings in the future. Nor can we assure you that we will not default on any of our borrowings in the future. As of 30 June 2017, we have certain land use rights and real properties located in Guangdong Beijing, Hainan, Taiyuan, Chongqing and Harbin that have been mortgaged and registered at the relevant authority to secure certain financing agreements. We still have the legal right to use such land use rights and real properties. As of 30 June 2017, a substantial portion of our assets with total carrying values of CNY67.2 billion (US\$9.9 billion) were pledged to secure our general banking facilities and other borrowings amounting to CNY62.2 billion (US\$9.2 billion).

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

The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property. If a purchaser defaults

on a mortgage loan guaranteed by us we may have to repay the mortgage loan. If we fail to do so, the mortgagee bank may foreclose the underlying property and recover any balance from us as the guarantor of the defaulted mortgage loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, our outstanding guarantees for the mortgage loans of our customers amounted to CNY18,438.1 million, CNY23,530.0 million, CNY33,406.8 million (US\$4,927.8 million) and CNY33,972.5 million (US\$5,011.2 million), respectively. If any material default by our customers occurs on such loans, we may be required to honour our guarantees and our results of operations and financial position may be materially and adversely affected.

We may suffer certain losses not covered by insurance

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

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

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

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licences, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;

- labour disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

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

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

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

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

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

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

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction

permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. We cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

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

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

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

would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred prior to the date in connection with such land.

Pursuant to the PRC Urban and Rural Planning Law (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National Congress on 28 October 2007 and amended on 24 April 2015, and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), if an entity commences construction on any land plot without obtaining necessary construction permits (including construction planning permit, construction commencement permit and inspection acceptance certificates), the relevant PRC government authorities may require such entity (i) to cease construction work; (ii) apply for all relevant permits; (iii) to pay a penalty of up to 10% of the consideration payable under the relevant construction agreement for lack of construction planning permit and (iv) to pay a penalty of up to 2% of the consideration payable under the relevant construction agreement for the lack of construction commencement permit. There is no assurance that we will be able to obtain all necessary permits in time or at all.

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

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

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

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

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

We engage our own or third-party property management companies on behalf of our purchasers to manage the residential properties we developed. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. In the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the revenue derived from our property management services was CNY951.0 million, CNY1,065.6 million, CNY1,195.1 million (US\$176.3 million) and CNY585.8 million (US\$86.4 million), respectively. If the owners of a residential property that we have developed, however, choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation may be materially and adversely affected which may, in turn, have an adverse effect on our results of operations.

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

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

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

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

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

According to the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the

one-year period following the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers must submit their qualification certificates to relevant construction administration authorities for review annually. The qualification certificate may be revoked or degraded by the relevant construction administration if the developer fails to meet the requirements for the relevant level of qualification certificate or conducts malpractice.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. We cannot assure you that our project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

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

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

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

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

We believe our brands and trademarks are critical to our success. Any unauthorised use of our brands, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorised use is difficult. The measures we take to protect our intellectual property rights may not be adequate.

Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

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

Land parcels acquired by property developers for future development may have existing buildings or other structures or may be occupied by third parties. Where land is obtained from the PRC government, resettlement or similar costs are usually included in the land premium payable. Government authorities are required to enter into written agreements with the owners of properties subject to demolition and to provide compensation for their relocation and resettlement costs. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by us may be subject to substantial increases, which could adversely affect our business, results of operations and financial condition. In addition, any delay or difficulty in the resettlement process may cause a delay in the delivery of land to us, in whole or in part, and may require an increase in the fees payable in connection with the resettlement process. In addition, if a local government fails to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan for such owners or residents, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to the Real Estate Industry in China

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

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

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);
- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;

- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after 1 June 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 sq.m. and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the PRC Ministry of Construction (中華人民共和國建設部) and currently known as the MOHURD, or the Ministry of Construction;
- requiring any first-time home owner using housing reserves (住房公積金) to pay the minimum amount of down-payment at 20% of the purchase price of the underlying property if the underlying property has a unit floor area of less than 90 sq.m. and the purchaser is buying the property as a primary residence, or 30% of the purchase price if the underlying property has a unit floor area of larger than 90 sq.m.;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC one-year benchmark bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC one-year benchmark bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of downpayment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- adjusting the benchmark one-year lending rate published by PBOC multiple times over the past years with the benchmark one-year lending rate as of 30 June 2017 being 4.35%;

- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit-taking financial institutions several times in 2011, 2012, 2014, 2015 and in early 2016, with the current ratio ranging from 13.0% to 16.5%, effective as of 1 March 2016; and
- further increasing down payment ratios and interest rates for loans to purchase second properties in accordance with the price control policies and targets of the corresponding local governments for those cities with excessive growth in housing prices.

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

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

We face competition from a number of property developers. Our existing and potential competitors include private and public developers in the PRC, as well as developers from Hong Kong. Some of them may have greater marketing, financial, technical or other resources than us and greater economies of scale, broader name recognition and more established relationships in the market. In recent years, a large number of property developers have undertaken property development and investment projects, particularly in Beijing, Guangzhou and other cities where we operate. Competition among property developers may cause increases in land premiums and raw material costs, shortages in quality construction contractors, surpluses in property supply leading to decreased property prices, delays in the issuance of government approvals and permits, and higher costs to attract or retain talented employees.

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

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

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

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

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in the relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognise the related pre-sale proceeds as revenue. Moreover, excess GFA requires governmental approval, and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements.

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

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

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

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

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

properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

Potential liability for environmental damages could result in substantial cost increases

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

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

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

Risks Relating to China

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

Our business is affected by economic conditions in the PRC. In 2016, the PRC economy recorded Gross Domestic Product growth of 6.7% which represented its lowest growth rate in the last 10 years, as the PRC government continued to focus on making structural reforms to boost the long-term sustainability of the economy. In addition, the PRC economy differs from the economies of most of the developed countries in many aspects, including:

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;

- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market- oriented economy. For more than three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

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. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. 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.

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

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

investment in China and the repayment of the principal of loans or debt denominated in foreign currencies. These limitations on the flow of funds could restrict our ability to act in response to changing market conditions.

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

Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the “EIT Law”), effective 1 January 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006 and amended on 29 December 2015, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. However, according to a Circular of the PRC State Administration of Taxation dated 27 October 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

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

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

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

If we or R&F HK is required under the EIT Law to withhold PRC income tax on our interest payable to non-resident Holders who are “non-resident enterprises”, we will be required, subject to certain exceptions based on the applicable tax treaty, to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of the Notes, the value of your investment in the Notes may be materially and

adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if we or R&F HK is considered a PRC “resident enterprise”.

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

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in April 2013 and resulted in tremendous loss of lives and destruction of assets in the region. We have three projects located in Chengdu, approximately 100 kilometers from the earthquake’s epicenter in Lushan County, Sichuan Province. Based on our investigation and site inspections, our properties in Sichuan Province did not suffer any material damage or loss as a result of the earthquake. However, earthquakes with such magnitude may adversely affect our ability to complete and sell or lease our properties as scheduled or cause material damage or loss to our properties. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

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

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

Risks Relating to the Real Estate Industry in Malaysia

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

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

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

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

Risks Relating to the Notes

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

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

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

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

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our total bank loans were CNY34,538.7 million, CNY38,921.2 million, CNY46,068.0 million (US\$6,795.4 million) and CNY51,579.7 million (US\$7,608.4 million), respectively. As of 30 June 2017, we had a total amount of CNY48,779.1 million (US\$7,195.3 million) of corporate bonds outstanding from the issuance of our 2015 Corporate Bonds and 2016 Corporate Bonds, a total amount of CNY996.0 million (US\$146.9 million) of medium-term notes and a total principal amount of US\$725.0 million of the 2022 Notes outstanding. Subsequent to 30 June 2017, we have issued the 2018 Notes in an aggregate principal amount of US\$800.0 million. See “Description of Material Indebtedness and Other Obligations – The 2018 Notes” for more details. As of the same date, we had other borrowings equivalent to CNY16,705.0 million (US\$2,464.1 million) and finance lease liabilities equivalent to CNY266.5 million (US\$39.3 million) outstanding. In addition, as of 30 June 2017, we had a total amount of CNY2,403.9 million (US\$354.6 million) of perpetual capital instruments outstanding. We have also, since 30 June 2017, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes.

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

- limit our ability to satisfy our obligations under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2017 Medium-term Notes, the 2022 Notes, the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur certain indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio (as defined in the section entitled “Terms and Conditions of the Notes.” The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges (each as defined in the sections entitled “Terms and Conditions of the Notes”). Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment

properties, our Consolidated EBITDA could be substantially larger when compared to other similarly situated PRC issuers whose covenants do not typically include such unrealized gains in the definition of Consolidated Net Income. As a result, our ability to incur additional debt under the Fixed Charge Coverage Ratio could be substantially larger when compared to such other issuers. In addition, because our definition of Consolidated Interest Expense for the Notes excludes the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify. If our onshore subsidiaries incur additional debt, the ratings assigned to us by any rating agency may be adversely affected which could adversely affect our ability to raise additional financing and the market price of the Notes. See “— The Notes will not be rated and our corporate ratings may be lowered or withdrawn in the future.”

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

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

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

We may depend, in part, on the receipt of dividends or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2017 Medium-term Notes, the 2022 Notes, 2018 Notes and the Notes. The ability of our subsidiaries to pay dividends or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments under the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2022 Notes, the 2018 Notes and the Notes. Further, certain loan agreements in relation to project loans obtained by our PRC subsidiaries from PRC lender banks contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. See

“Description of Material Indebtedness and Other Obligations”. Although such project loans typically do not require requisite consent or notice from the lender bank, these restrictions could have a negative impact on the calculation of our EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

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

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or advances from our subsidiaries to satisfy our obligations under the Notes, the 2015 Corporate Bonds, the 2016 Corporate Bonds, the 2017 Medium-term Notes, the 2022 Notes, the 2018 Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have received corporate ratings of “Ba3” with a negative outlook by Moody’s, “B+” with a stable outlook by S&P and “BB” with a rating watch negative by Fitch. The Notes are expected to be rated BB with a rating watch negative by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal.

Any negative rating revision, downgrade or withdrawal of our credit ratings by one or more of these agencies combined with the fact that the Notes are not rated could have an adverse effect on the market price of the Notes as well as adversely impact on our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

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

The Notes may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this offering memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

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

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

In certain circumstances (including without limitation the giving of notice or the taking any action pursuant to Condition 11 of the Notes) each of the Trustee and the Security Trustee may (at its sole discretion) request holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of such holders and neither the Trustee nor the Security Trustee shall be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken and the Trustee or the Security Trustee (as the case may be) may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or any other transaction document and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

We may redeem the Notes at our option before the maturity date

We may, at any time and from time to time, redeem the Notes in whole, but not in part, as set out in “Terms and Conditions of the Notes”. We also have the right to redeem the Notes in whole or in part in certain circumstances including changes or amendments to relevant taxation laws, each as further described in “Terms and Conditions of the Notes”. If we exercise our rights to redeem the Notes, the Notes may be redeemed prior to the original maturity date. If we elect to only redeem part of the Notes, the liquidity and price of the remaining Notes which have not been redeemed may be adversely impacted.

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

The initial Subsidiary Guarantors do not currently have significant operations

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

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated

basis, as of the date of the last fiscal year end of the Company. See “— Risks Relating to the Notes — We conduct a substantial portion of our operations through our PRC subsidiaries and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries”.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency laws in the British Virgin Islands, Malaysia or Singapore or bankruptcy law, fraudulent transfer laws, insolvency or unfair preference or similar laws in Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established or where insolvency proceeding may be commenced with respect to any such Subsidiary Guarantor or JV Subsidiary Guarantor, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For Subsidiary Guarantors incorporated in the British Virgin Islands:

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

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

For Subsidiary Guarantors incorporated in Hong Kong and Singapore:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor’s insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor’s remaining assets constituted unreasonably small capital; or

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

For any Subsidiary Guarantor incorporated in Malaysia, the enforcement of the guarantee or the security interests by such Subsidiary Guarantor incorporated in Malaysia under Malaysian law may be affected by prescription or lapse of time, bankruptcy, insolvency, liquidation, reorganization, reconstruction or similar laws affecting the rights of creditors. Other laws and defences limiting or affecting enforcement may also apply, including those relating to voidable preference, undervalue transaction, disclaimer of onerous property, financial assistance, laws whereby certain security interests created later than a certain time prior to the commencement of insolvency proceedings are avoided, subordination, set-off, counterclaim as well as general principles of equity. Amongst other applicable laws, the Companies Act 1965 and the Companies (Winding-up) Rules prescribe situations under which the guarantee or the security interests granted by such Subsidiary Guarantor incorporated in Malaysia may be voidable by a Malaysian court.

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

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

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

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

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or held the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor, and would solely be

creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantor whose guarantee was not voided or held unenforceable. We cannot assure you that, in the such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

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

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

The ability of the holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, any secured party under the Intercreditor Agreement, including the trustee for holders of the 2022 Notes or the 2018 Notes, the Trustee or the holders of any future Permitted Pari Passu Secured Indebtedness, may decide whether to take any enforcement action and thereafter, through the Trustee and/or the trustee for holders of the 2022 Notes or the 2018 Notes (as the case may be), subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Collateral Agent to take such enforcement action. In addition, by virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to you. In such event, the only remedy available to the holders of the Notes would be to sue for payment on the Notes, the Subsidiary Guarantees, the JV Guarantees and the Collateral. For a description on the Intercreditor Agreement, see "Terms and Conditions of the Notes — Security — Intercreditor Agreement" and "— The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness".

Citicorp International Limited, acting in its capacity as Collateral Agent, will only have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are expressly set forth in the Intercreditor Agreement. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying trust deeds that are in conflict with the interests of the holders of the Notes, the 2022 Notes or the 2018 Notes, for which Citicorp International Limited acts in a capacity as trustee.

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

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

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

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

In addition, the Trust Deed provides that the proceeds of enforcement of the security over the Collateral will be shared equally and ratably among the holders of the 2022 Notes, the 2018 Notes, the Notes and any future Permitted Pari Passu Secured Indebtedness. For a further discussion of the Intercreditor Agreement, see “Terms and Conditions of the Notes — Security — Intercreditor Agreement”.

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

The pledge of certain Collateral may in some circumstances be voidable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the placement fees and other estimated expenses, will be approximately US\$490.6 million. We intend to use the net proceeds to refinance debt and for general corporate purposes.

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

EXCHANGE RATE INFORMATION

China

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

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

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
		(CNY per US\$1.00)		
2012	6.2303	6.3085	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.1870	6.4896
2016	6.9430	6.6534	6.9580	6.4480
2017				
May	6.8098	6.8843	6.9060	6.8098
June	6.7793	6.8066	6.8382	6.7793
July	6.7240	6.7694	6.8039	6.7240
August	6.5888	6.6670	6.7272	6.5888
September	6.6533	6.5690	6.6591	6.4773
October	6.6328	6.6254	6.6533	6.5712
November (through November 3)	6.6360	6.6149	6.6360	6.6018

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

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

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
		(HK\$ per US\$1.00)		
2012	7.7507	7.7569	7.7699	7.7493
2013	7.7539	7.7565	7.7654	7.7503
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7524	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017				
May	7.7929	7.7864	7.7933	7.7775
June	7.8055	7.7984	7.8055	7.7908
July	7.8100	7.8091	7.8128	7.8034
August	7.8267	7.8217	7.8267	7.8121
September	7.8110	7.8127	7.8256	7.7995
October	7.8015	7.8053	7.8106	7.7996
November (through November 3)	7.8023	7.8020	7.8025	7.8012

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth on an actual basis the borrowings and capitalisation of the Group as of 30 June 2017 and as adjusted to give effect to the 2018 Notes and the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. The following table should be read in conjunction with the condensed consolidated interim financial information and related notes included elsewhere in this offering memorandum.

	As of 30 June 2017			
	Actual		As Adjusted	
	CNY	US\$	CNY	US\$
	(in thousands)			
Cash	15,683,689	2,313,467	24,049,424	3,547,479
Restricted cash	16,737,481	2,468,910	16,979,421	2,504,598
Total	<u>32,421,170</u>	<u>4,782,377</u>	<u>41,028,845</u>	<u>6,052,077</u>
Short-term borrowing⁽¹⁾				
Bank loans — secured	7,779,699	1,147,567	7,779,699	1,147,567
Bank loans — unsecured	598,500	88,283	598,500	88,283
Other borrowings	1,070,000	157,833	1,070,000	157,833
2018 Notes ⁽²⁾	—	—	5,281,750	779,100
Current portion of long-term borrowings	<u>15,890,661</u>	<u>2,343,997</u>	<u>15,890,661</u>	<u>2,343,997</u>
Total short-term borrowings	<u>25,338,860</u>	<u>3,737,680</u>	<u>30,620,610</u>	<u>4,516,780</u>
Long-term borrowings⁽³⁾⁽⁴⁾				
Bank loans — secured	38,794,915	5,722,555	38,794,915	5,722,555
Bank loans — unsecured	4,406,600	650,008	4,406,600	650,008
Corporate Bonds	48,779,051	7,195,293	48,779,051	7,195,293
Senior notes ⁽⁵⁾	4,815,860	710,377	4,815,860	710,377
Notes to be issued	—	—	3,325,925	490,600
Medium-term notes	996,034	146,923	996,034	146,923
Other borrowings	15,635,000	2,306,285	15,635,000	2,306,285
Finance lease liabilities	266,533	39,316	266,533	39,316
Less: current portion of long-term borrowings	<u>(15,890,661)</u>	<u>(2,343,997)</u>	<u>(15,890,661)</u>	<u>(2,343,997)</u>
Total long-term borrowings	<u>97,803,332</u>	<u>14,426,760</u>	<u>101,129,257</u>	<u>14,917,360</u>
Equity				
Issued capital	805,592	118,831	805,592	118,831
Other reserves	4,525,596	667,561	4,525,596	667,561
Retained earnings	38,440,072	5,670,213	38,440,072	5,670,213
Perpetual capital instruments	2,403,933	354,599	2,403,933	354,599
Non-controlling interests	850,640	125,476	850,640	125,476
Total equity	<u>47,025,833</u>	<u>6,936,680</u>	<u>47,025,833</u>	<u>6,936,680</u>
Total capitalisation⁽⁶⁾	<u>144,829,165</u>	<u>21,363,440</u>	<u>148,155,090</u>	<u>21,854,040</u>

Notes:

- (1) Short-term borrowings include the current portion of long-term borrowings.
- (2) Since 30 June 2017, we have issued the 2018 Notes in a total aggregate principal amount of US\$800.0 million. See “Description of Material Indebtedness and Other obligations – The 2018 Notes” for more details.
- (3) Long-term borrowings exclude the current portion of long-term borrowings.

- (4) We have also, since 30 June 2017, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes. See “Description of Material Indebtedness and Other Obligations”.
- (5) Senior notes include the 2022 Notes in a total principal amount of US\$725.0 million. See “Description of Material Indebtedness and Other Obligations – The 2022 Notes” for more details.
- (6) Total capitalisation includes total long-term borrowings plus total equity.

Since 30 June 2017, we have incurred additional indebtedness. In addition, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. We continue to consider, and may enter into, additional financing arrangements from time to time that we find suitable for our business development. These additional borrowings are not reflected in the table above. See “Description of Material Indebtedness and Other Obligations” for more details. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since 30 June 2017.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data of the Group. The selected consolidated income statement data for the years ended 31 December 2014, 2015 and 2016 and the selected consolidated balance sheet data as of 31 December 2014, 2015 and 2016 set forth below (except for EBITDA data) of the Group have been derived from our consolidated financial statements of the Company for the years ended 31 December 2015 and 2016, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended 30 June 2016 and 2017 and the summary condensed consolidated balance sheet data of the Group as of 30 June 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements of the Company for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future years. The selected financial data below should be read in conjunction with our consolidated financial statements of the Company, including the notes thereto, which are included elsewhere in this offering memorandum.

Selected Consolidated Income Statement Data of the Group

	Year ended 31 December				Six months ended 30 June		
	2014	2015	2016	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	CNY	US\$
				(in thousands)			
Revenue	34,705,410	44,290,924	53,730,339	7,925,647	22,389,435	20,413,922	3,011,214
Cost of sales	(22,391,431)	(30,083,853)	(38,543,599)	(5,685,484)	(16,706,704)	(13,021,536)	(1,920,779)
Gross profit	12,313,979	14,207,071	15,186,740	2,240,163	5,682,731	7,392,386	1,090,435
Other income and other gains — net ⁽¹⁾	2,030,304	1,518,092	2,257,206	332,956	978,941	731,689	107,930
Selling and marketing costs	(896,059)	(896,657)	(1,315,362)	(194,026)	(521,826)	(723,874)	(106,777)
Administrative expenses	(2,220,501)	(2,409,572)	(2,672,863)	(394,268)	(1,270,808)	(1,514,901)	(223,460)
Operating profit	11,227,723	12,418,934	13,455,721	1,984,825	4,869,038	5,885,300	868,128
Finance costs	(1,215,921)	(2,153,995)	(2,367,045)	(349,158)	(1,000,874)	(968,381)	(142,844)
Share of results of joint ventures	169,789	1,343,455	844,493	124,569	178,463	(70,874)	(10,454)
Share of results of associates	(25,205)	(18,893)	(64,329)	(9,489)	(14,854)	24,921	3,676
Profit before income tax	10,156,386	11,589,501	11,868,840	1,750,747	4,031,773	4,870,966	718,506
Income tax expenses	(3,649,997)	(4,877,229)	(4,812,823)	(709,929)	(1,607,614)	(2,390,213)	(352,575)
Profit for the year/period	6,506,389	6,712,272	7,056,017	1,040,818	2,424,159	2,480,753	365,931

Note:

- (1) Since 2015, we have consolidated “other gains — net” and “other operating income”, into “other income and other gains — net” due to better presentation of financial statement line items.

Other financial data

	Year ended 31 December				Six months ended 30 June		
	2014 (Unaudited) CNY	2015 (Unaudited) CNY	2016 (Unaudited) CNY	2016 (Unaudited) US\$	2016 (Unaudited) CNY	2017 (Unaudited) CNY	2017 (Unaudited) US\$
	(in thousands, except percentages)						
EBITDA ⁽¹⁾	12,848,699	14,561,859	16,264,569	2,399,152	5,954,319	7,048,996	1,039,782
EBITDA Margin ⁽²⁾	37.0%	32.9%	30.3%	30.3%	26.6%	34.5%	34.5%

Notes:

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

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

	Year ended 31 December				Six months ended 30 June			
	2014 CNY	2015 CNY	2016 CNY	2016 US\$	2016 CNY	2016 US\$	2017 CNY	2017 US\$
	(in thousands)							
Profit before income tax	<u>10,156,386</u>	<u>11,589,501</u>	<u>11,868,840</u>	<u>1,750,747</u>	<u>4,031,773</u>	<u>594,718</u>	<u>4,870,966</u>	<u>718,506</u>
Adjustments:								
Other income and other gains — net (excluding fair value gains on investment properties)	(392,130)	(412,440)	(516,394)	(76,172)	(261,827)	(38,622)	(252,429)	(37,235)
Share of results of:								
Associates	25,205	18,893	64,329	9,489	14,854	2,191	(24,921)	(3,676)
Joint ventures	(169,789)	(1,343,455)	(844,493)	(124,569)	(178,463)	(26,325)	70,874	10,454
Finance costs	2,756,324	4,255,851	5,070,329	747,913	2,047,567	302,032	2,061,593	304,101
Depreciation and amortisation	472,703	453,509	621,958	91,744	300,415	44,314	322,913	47,632
EBITDA	<u>12,848,699</u>	<u>14,561,859</u>	<u>16,264,569</u>	<u>2,399,152</u>	<u>5,954,319</u>	<u>878,308</u>	<u>7,048,996</u>	<u>1,039,782</u>

- (2) EBITDA margins is calculated by dividing EBITDA by revenue.

Selected Consolidated Balance Sheet Data of the Group

	As of 31 December				As of 30 June	
	2014	2015	2016	2016	2017	2017
	(Audited) CNY	(Audited) CNY	(Audited) CNY	(Unaudited) US\$ (in thousands)	(Unaudited) CNY	(Unaudited) US\$
ASSETS						
NON-CURRENT ASSETS						
Land use rights	1,198,045	1,264,041	1,933,706	285,237	2,164,766	319,320
Property, plant and equipment	7,495,641	9,009,864	10,928,178	1,611,992	11,458,691	1,690,247
Investment properties	18,047,632	19,251,951	22,068,681	3,255,304	22,995,277	3,391,984
Intangible assets	977,958	1,034,849	1,079,572	159,245	1,037,045	152,972
Interests in joint ventures	4,617,519	5,954,631	6,795,392	1,002,374	6,962,734	1,027,058
Interests in associates	86,213	71,052	166,908	24,620	181,990	26,845
Deferred income tax assets	2,927,764	3,295,186	4,253,861	627,478	5,107,848	753,448
Available-for-sale financial assets . .	535,477	645,140	710,130	104,750	532,500	78,548
Trade and other receivables and prepayments	3,772,884	4,046,552	97,420	14,370	297,820	43,931
	<u>39,659,133</u>	<u>44,573,266</u>	<u>48,033,848</u>	<u>7,085,370</u>	<u>50,738,671</u>	<u>7,484,353</u>
CURRENT ASSETS						
Properties under development	81,327,691	78,671,926	81,134,542	11,967,982	102,988,154	15,191,562
Completed properties held for sale. .	17,222,116	22,427,988	26,783,018	3,950,706	27,138,655	4,003,165
Inventories	358,831	414,888	325,932	48,078	267,022	39,388
Trade and other receivables and prepayments	10,890,728	13,576,168	21,582,812	3,183,634	26,750,862	3,945,962
Tax prepayments	2,551,852	2,784,288	2,582,245	380,901	3,387,622	499,701
Restricted cash	6,339,497	6,814,094	20,663,067	3,047,965	16,737,481	2,468,910
Time Deposits	—	500,000	—	—	—	—
Cash and cash equivalents	13,490,425	13,970,313	25,306,015	3,732,836	15,683,689	2,313,467
	<u>132,181,140</u>	<u>139,159,665</u>	<u>178,377,631</u>	<u>26,312,102</u>	<u>192,953,485</u>	<u>28,462,155</u>
Total assets	<u>171,840,273</u>	<u>183,732,931</u>	<u>226,411,479</u>	<u>33,397,472</u>	<u>243,692,156</u>	<u>35,946,507</u>
EQUITY						
Share capital	805,592	805,592	805,592	118,831	805,592	118,831
Retained earnings	30,749,658	35,404,023	38,293,091	5,648,532	38,440,072	5,670,213
Shares held for Share Award Scheme	(128,711)	(88,947)	—	—	—	—
Other reserves	4,538,822	4,590,948	4,679,469	690,258	4,525,596	667,561
Perpetual capital instruments	15,648,416	7,977,869	2,404,327	354,657	2,403,933	354,599
Non-controlling interests.	531,785	527,895	653,718	96,429	850,640	125,476
Total equity	<u>52,145,562</u>	<u>49,217,380</u>	<u>46,836,197</u>	<u>6,908,707</u>	<u>47,025,833</u>	<u>6,936,680</u>
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	45,553,602	49,759,398	87,170,166	12,858,284	97,803,332	14,426,760
Deferred income tax liabilities. . . .	3,278,908	3,935,947	4,930,892	727,345	5,360,676	790,742
Accruals and other payables	171,222	—	—	—	—	—
	<u>49,003,732</u>	<u>53,695,345</u>	<u>92,101,058</u>	<u>13,585,629</u>	<u>103,164,008</u>	<u>15,217,502</u>
CURRENT LIABILITIES						
Accruals and other payables	19,270,956	18,727,912	21,951,465	3,238,014	25,199,175	3,717,076
Deposits received on sale of properties	19,225,725	18,407,668	19,546,810	2,883,308	30,535,114	4,504,169
Current income tax liabilities	10,089,230	11,005,384	12,294,031	1,813,466	12,429,166	1,833,400
Short-term borrowings	3,085,000	5,661,596	10,631,230	1,568,190	9,448,199	1,393,684
Current portion of long-term borrowings	19,020,068	27,017,646	23,050,688	3,400,158	15,890,661	2,343,997
	<u>70,690,979</u>	<u>80,820,206</u>	<u>87,474,224</u>	<u>12,903,136</u>	<u>93,502,315</u>	<u>13,792,326</u>
Total liabilities	<u>119,694,711</u>	<u>134,515,551</u>	<u>179,575,282</u>	<u>26,488,765</u>	<u>196,666,323</u>	<u>29,009,827</u>
Total equity and liabilities	<u>171,840,273</u>	<u>183,732,931</u>	<u>226,411,479</u>	<u>33,397,472</u>	<u>243,692,156</u>	<u>35,946,507</u>
Net current assets	<u>61,490,161</u>	<u>58,339,459</u>	<u>90,903,407</u>	<u>13,408,966</u>	<u>99,451,170</u>	<u>14,669,829</u>
Total assets less current liabilities . .	<u>101,149,294</u>	<u>102,912,725</u>	<u>138,937,255</u>	<u>20,494,336</u>	<u>150,189,841</u>	<u>22,154,181</u>

The following table presents the summary unaudited financial and other data of R&F HK. The summary consolidated income statement data for the years ended 31 December 2014, 2015 and 2016 and the summary consolidated balance sheet data as of 31 December 2015 and 2016 set forth below have been derived from the reviewed consolidated financial statements of R&F HK as of and for the years ended 31 December 2014, 2015 and 2016, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and are included elsewhere in this offering memorandum. The summary condensed consolidated income statement data for the six months ended 30 June 2016 and 2017 and the summary condensed consolidated balance sheet data as of 30 June 2017 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such period and as of such date, as reviewed by PricewaterhouseCoopers, Certified Public Accountants in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and are included elsewhere in this offering memorandum. The financial statements of R&F HK have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The financial results of R&F HK for any past period are not, and should not be taken as, an indication of its performance, financial position or results of operations in future years.

Summary Unaudited Consolidated Income Statement Data of R&F HK

	Year ended 31 December				Six months ended 30 June		
	2014 (Unaudited) CNY	2015 (Unaudited) CNY	2016 (Unaudited) CNY	2016 (Unaudited) US\$ (in thousands)	2016 (Unaudited) CNY	2017 (Unaudited) CNY	2017 (Unaudited) US\$
Revenue	2,012,886	1,372,798	5,010,288	739,057	2,611,982	1,581,169	233,235
Cost of sales	(1,281,042)	(1,037,577)	(4,003,533)	(590,553)	(2,108,098)	(1,027,135)	(151,510)
Gross profit	731,844	335,221	1,006,755	148,504	503,884	554,034	81,724
Other income and other gains — net	158,925	281,747	387,738	57,194	24,054	158,131	23,326
Selling and marketing costs	(97,334)	(117,189)	(188,549)	(27,812)	(54,139)	(108,869)	(16,059)
Administrative expenses	(291,006)	(329,925)	(397,637)	(58,655)	(233,115)	(200,934)	(29,639)
Operating profit	502,429	169,854	808,307	119,232	240,684	402,362	59,352
Finance costs	(1,507,587)	(2,427,886)	(2,018,089)	(297,684)	(454,164)	(2,732)	(403)
Share of results of joint ventures	89,873	174,383	(11,018)	(1,625)	13,196	(41,723)	(6,154)
Share of results of associates	(24,203)	(1,353)	(1,380)	(204)	(3,024)	(296)	(44)
Profit/(loss) before income tax	(939,488)	(2,085,002)	(1,222,180)	(180,281)	(203,308)	357,611	52,750
Income tax expenses	(39,487)	92,109	(143,826)	(21,215)	(34,062)	(80,627)	(11,893)
Profit/(loss) for the year/ period	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(1,366,006)</u>	<u>(201,497)</u>	<u>(237,370)</u>	<u>276,984</u>	<u>40,857</u>
Profit/(loss) attributable to:							
— Owners of the company.	(955,341)	(1,996,603)	(1,395,105)	(205,789)	(231,827)	267,875	39,514
— Non-controlling interests	(23,634)	3,710	29,099	4,292	(5,543)	9,109	1,344
	<u>(978,975)</u>	<u>(1,992,893)</u>	<u>(1,366,006)</u>	<u>(201,497)</u>	<u>(237,370)</u>	<u>276,984</u>	<u>40,857</u>

Summary Unaudited Consolidated Balance Sheet Data of R&F HK

	As of 31 December				As of 30 June	
	2014	2015	2016	2016	2017	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	CNY	CNY	CNY	US\$	CNY	US\$
	(in thousands)					
ASSETS						
NON-CURRENT ASSETS						
Land use rights	385,044	411,442	394,660	58,215	387,949	57,226
Property, plant and equipment	1,683,019	1,928,312	1,894,630	279,473	1,861,151	274,534
Investment properties	4,994,525	5,248,285	5,548,926	818,510	5,692,484	839,686
Intangible assets	4,586	9,402	8,050	1,187	7,190	1,061
Interests in joint ventures	1,677,809	1,852,192	1,841,174	271,588	2,025,844	298,828
Interests in associates	433,123	491,294	489,914	72,266	489,617	72,222
Deferred income tax assets	269,978	349,193	450,300	66,423	527,654	77,833
Trade and other receivables and prepayments	1,892	—	—	—	200,300	29,546
	9,449,976	10,290,120	10,627,654	1,567,662	11,192,189	1,650,936
CURRENT ASSETS						
Properties under development	7,021,835	9,165,194	8,414,665	1,241,229	13,208,424	1,948,346
Completed properties held for sale.	848,277	1,014,655	3,374,639	497,786	2,581,892	380,849
Inventories	7,586	8,490	7,899	1,165	20,546	3,031
Trade and other receivables and prepayments	6,405,005	4,975,181	8,235,613	1,214,818	13,139,470	1,938,175
Tax prepayments	74,598	223,928	155,470	22,933	256,982	37,907
Restricted cash	741,706	1,014,420	869,852	128,310	805,296	118,787
Time deposits	—	500,000	—	—	—	—
Cash.	1,906,679	1,134,037	11,129,808	1,641,734	1,591,348	234,736
	17,005,686	18,035,905	32,187,946	4,747,975	31,603,958	4,661,832
Total assets	26,455,662	28,326,025	42,815,600	6,315,637	42,796,147	6,312,768
EQUITY						
Share capital	10	10	10	1	10	1
Retained earnings	2,174,479	177,876	(1,217,229)	(179,551)	(949,354)	(140,039)
Other reserves	5,810	27,576	22,784	3,361	256	38
Non-controlling interests.	1,181,897	1,188,014	1,217,113	179,534	1,226,222	180,877
Total equity	3,362,196	1,393,476	22,678	3,345	277,134	40,879
LIABILITIES						
NON-CURRENT LIABILITIES						
Long-term borrowings	16,488,468	8,200,600	10,917,575	1,610,428	17,718,867	2,613,672
Deferred income tax liabilities.	1,027,296	1,063,589	1,138,538	167,943	1,166,170	172,019
	17,515,764	9,264,189	12,056,113	1,778,371	18,885,037	2,785,691
CURRENT LIABILITIES						
Accruals and other payables	2,511,933	2,082,306	8,244,472	1,216,124	12,027,221	1,774,110
Deposits received on sale of properties	615,254	2,079,079	1,258,254	185,602	2,314,046	341,340
Current income tax liabilities	617,155	491,735	536,976	79,208	508,010	74,935
Short-term borrowings	1,700,000	—	8,619,900	1,271,503	7,779,699	1,147,567
Current portion of long-term borrowings	133,360	13,015,240	12,077,207	1,781,483	1,005,000	148,245
	5,577,702	17,668,360	30,736,809	4,533,921	23,633,976	3,486,197
Total liabilities	23,093,466	26,932,549	42,792,922	6,312,292	42,519,013	6,271,888
Total equity and liabilities	26,455,662	28,326,025	42,815,600	6,315,637	42,796,147	6,312,768

INDUSTRY OVERVIEW

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

Overview of the PRC Economy

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970's China's accession to the World Trade Organisation, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, increased from approximately CNY21,943.9 billion in 2006 to approximately CNY74,412.7 billion in 2016 at a compound annual growth rate, or CAGR, of approximately 13.5%. From January to 30 June 2017, China's GDP increased to CNY38,149.0 billion, representing a year-on-year growth rate of 11.4%. Per capita GDP in China reached CNY53,816.6 billion in 2016, representing an increase of approximately 7.4% over 2015. China's total imports and exports increased from approximately USD\$1,761.1 billion in 2006 to USD\$3,726.1 billion in 2016 at a CAGR of 7.8%. In the first half of 2017, China's total imports and exports reached USD\$1,914.3 billion, with a year-on-year decrease of 10.8%.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H 2017
GDP (CNY in billions)	21,943.9	27,023.2	31,951.6	34,908.1	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,905.2	74,412.7	38,149.0
GDP per capita (CNY)	16,693.9	20,452.2	24,059.5	26,158.2	30,802.2	36,315.8	39,907.8	43,744.8	47,080.3	50,126.7	53,816.6	N/A
Total imports and exports (US\$ in billions).	1,761.1	2,174.5	2,561.0	2,205.9	2,972.4	3,640.7	3,867.5	4,159.9	4,306.3	3,963.2	3,726.1	1,914.3
Utilized FDI (US\$ in billions)	72.7	83.5	108.3	94.1	114.7	124.0	121.1	123.9	128.5	135.6	126.0	N/A
Disposable income per capita: urban households (UH) (CNY)	11,759.5	13,785.8	15,780.7	17,174.7	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	33,616.2	18,332.0
Total savings of urban and rural households (CNY in billions)	16,158.7	17,253.4	21,788.5	26,077.2	30,330.2	35,279.7	41,136.3	46,703.1	50,887.8	55,207.3	60,350.4	N/A

Source: CEIC; National Bureau of Statistics of China

Note:

(1) N/A means not applicable

The economic growth of China and increasing urbanisation rate, are key factors in creating a real estate market in China and in sustaining the growth of China's real estate market. According to the National Bureau of Statistics of China, China's urbanisation rate, i.e. the proportion of the population residing in urban areas, rose from approximately 29.0% in 1995 to approximately 57.3% in 2016. Increases in the urban population of China will likely result in increases in demand for residential properties.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population (millions)	1,314.5	1,321.3	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7
Population: Urban (millions) . .	582.9	606.3	624.0	645.1	669.8	690.8	711.8	731.1	749.2	771.2	793.0
Urbanization Rate (%)	44.3%	45.9%	47.0%	48.3%	49.9%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%

Source: National Bureau of Statistics of China

The PRC Real Estate Industry

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

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights.
1992	Sale of formerly public housing commenced in major cities.
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund, and issued a regulation regarding pre-sale of commodity housing in cities.
1995	The PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales.
1998	The PRC government abolished the state-allocated housing policy.
1999	The PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market.
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality.
2002	The PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China.
2003	The PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing.
2004	The PRC government required real estate development projects (excluding affordable housing programmes) to be financed by developers themselves from their capital funds with respect to 35%, rather than 20%, of the total projected capital outlay for such projects, imposed more restrictive requirements on pre-sale of commodity housing in cities and issued guidelines to commercial banks to further strengthen their risk control over real estate financing.

- 2005 The PRC government adopted additional measures to discourage speculation in real properties, such as increasing the minimum down-payment to 30% of the total purchase price in selected cities where the housing price increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties.
- 2006 The PRC government implemented additional land supply, bank financing and other measures to curb fast increases in property prices, to encourage the development of middle-to low-end housing and to promote healthy development of the PRC property industry.
- 2007 The PRC government issued regulations to increase the annual land use tax, and to impose such land use tax on foreign invested enterprises as well and to require that land use right certificates be issued only upon full payment of the land premium with respect to all of the land use rights under a land grant contract, which effectively stopped the practice of issuing land use right certificates in installments.
- 2008 The PRC government took additional measures during the first half of the year to control money supply and discourage speculations in the residential property market, but took other measures during the second half of the year to combat the impact of the global economic downturn, to encourage domestic consumption in the residential property market and to support real estate development.
- 2009 The PRC government reduced the minimum capital funding requirement for real estate development from 35% to 20% for ordinary commodity housing projects and affordable housing projects, and to 30% for other real estate projects.
- 2010 In response to the property prices rises across the country, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending grant of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, and limiting the number of residential properties that one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of land appreciation tax in order to enforce the settlement and collection of land appreciation tax, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans and imposition of more stringent requirements on the payment of land premium by property developers and increasing the down payment and loan interest rates for properties purchased with mortgage loans.

- 2011 The PRC government implemented certain measures aimed at further reining in soaring property prices. These measures include further increasing the minimum down payment for second house purchases with high mortgage lending interest rate, imposing property tax in certain cities and levying business tax on the full transfer price arising from any transfer by individuals of residential property within five years upon their purchase of such residential property, in order to implement the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), many cities have promulgated measures to limit the number of residential properties one household can newly purchase, such as Guangzhou, Tianjin, Beijing, Shanghai, Suzhou, Qingdao, Jinan, Chengdu and Guiyang.
- 2012 On 15 February 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (關於做好2012年房地產用地管理和調控重點工作的通知) which aimed to insist on stabilizing the housing price and guaranteeing the sufficient supply of social security housing.
- On 1 June 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (閒置土地處置辦法), which became effective on 1 July 2012. Under these measures, if any land parcel constitutes “idle land” due to government-related action, the holder of the relevant land use rights is required to explain to the relevant municipality or county-level land administrative department(s) the reasons for the land becoming idle, consult the relevant government authorities and rectify the situation accordingly. The means of rectification include but are not limited to the extension of the period permitted for commencing development, the adjustment of the land use and planning conditions or the substitution of the relevant idle land parcels with other land parcels.
- On 19 July 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) to strengthen the enforcement of macroeconomic policy in the real property market, which requires that residential construction projects must commence within one year from the land title delivery date as stipulated in the land allocation decision or land grant contract and must be completed within three years from the date of commencement.
- On 6 September 2012, the Ministry of Land and Resources promulgated the Notice on Strictly Implementing Land Use Standard and Vigorously Promoting Economical Intensive Land Use (關於嚴格執行土地使用標準大力促進節約集約用地的通知), which stipulated that land use standards shall be strictly implemented and continuously improved in accordance with the principle of economical intensive land use.

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

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

2013

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

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

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

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

- 2014 To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property (關於進一步做好住房金融服務工作的通知) on 29 September 2014, which provides that for any family that wishes to use a loan to purchase a residential property, the minimum down payment will be 30% of the property price and the minimum loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan, based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply mortgage loan policy for first-time purchasers of residential property. In cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate.
- 2015 As of 1 March 2015, the new property registration rules in China unify property registration nationwide. The new registration system shares information such as property location, area and origin of ownership in real time among governmental departments including the police, taxation and audit authorities. On 30 March 2015, the PBOC, CBRC and the MOHURD jointly announced an easing of the housing mortgage policy. The second-home down payment required for self-use ordinary housing was lowered from between 60% and 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement was eased from 30% to 20% for first home purchases under housing provident fund scheme, and from 40% to 30% for second home purchases. The MOF exempted business tax on second-hand sales of ordinary housing held for more than two years. On 24 September 2015, the PBOC and CBRC jointly announced a notice to lower the minimum down payment of the acquisition of first self-used ordinary residential property to 25% of the purchase price in the cities where restrictions on purchase of residential property are not being implemented. In September 2015, the State Council decreased the capital fund ratio for property projects (excluding affordable housing projects and ordinary commodity residential projects) to 25%.

- 2016 On 1 February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where restrictions on purchase of residential property are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted down by 5% by local authorities. For existing residential property household owners who have not fully repaid previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. From 30 September 2016 to date, Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Foshan Dongguan, Fuzhou, Huizhou, Hangzhou and other cities have issued new property market control policies, including restoring or strengthening the restrictions on purchases of residential properties and tightening credit policy.
- 2017 From March 2017, Beijing, Tianjin, Nanjing, Guangzhou, Xiamen, Fuzhou, Foshan, Dongguan, Zhuhai and other cities have introduced additional measures to control price growth of property market, including raising down payment ratios, limiting the amount of residential properties may be purchased by each family, restricting non-residential individuals from buying a local residential property, and restricting individuals for applying personal housing loans within one year of divorce.

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

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

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

- limiting the monthly mortgage payment to 50% of an individual borrower’s monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their capital funds;
- increasing the reserve requirement ratio of funds that a commercial bank must hold on deposit from 7% to 14.0-17.0%, effectively reducing the amount of money a bank is able to lend;

- increasing the PBOC one-year benchmark bank lending interest rates and public housing funds rates in December 2007 and September 2007, respectively, with the PBOC one-year benchmark lending interest rate at 7.47% and the public housing funds rates at 4.77% for loans with maturities of no more than five years and 5.22% for loans with maturities of over five years; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

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

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

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

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after 1 June 2006 must consist of units with a unit floor area of less than 90 sq.m. per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the unit floor area for the project is 90 sq.m. or more, effective from 1 June 2006;

- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land or vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from 1 June 2006, as opposed to two years when such levy was initially introduced in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property that is not an ordinary residential property even though such transfer takes place after five years from his/her date of purchase.

In May 2007, MOFCOM and SAFE issued the Notice on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) commonly known as Notice 50. Under Notice 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights or property ownership certificates, or must first enter into pre-sale or pre-grant agreements with respect to the land use rights or property ownership certificates. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Having Passed the Procedure for the Record of the MOFCOM (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), commonly known as Notice 130, together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before 1 June 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of 31 May 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt, including shareholder loans and overseas commercial loans, to finance its operations in China. It can only use its capital contributions instead. SAFE further informed in Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under the capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after 1 June 2007 but has not completed its filing with MOFCOM. Notice 130 was abolished and replaced by the Notice of the SAFE on Distributing the Administrative Measures for Registration of Foreign Debts (國家外匯管理局關於發佈外債登記管理辦法的通知) promulgated by SAFE dated 28 April 2013 and effected on 13 May 2013, which does not loosen the foreign debt restriction on FIREEs as provided by Notice 130.

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

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

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

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

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

In December 2008, the General Office of the State Council released Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), and the Ministry of Finance and the State Administration of Taxation jointly issued the

Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties (關於個人住房轉讓營業稅政策的通知) to encourage the consumption of ordinary residential properties and support the real estate development in response to the market changes, including:

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

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

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown. The Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知) to curtail speculations in the property market in response to the rising property price across the country. The above Notice has been revised on 1 January 2011 to state that:

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

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

- increase the effective supply of ordinary commodity residential properties;

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

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

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

In March 2010, the Ministry of State Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知). According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium-sized residential units for self-use and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit shall be at least 20% of the lowest land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium shall be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land cannot be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

In April 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (堅決遏制部分城市房價過快上漲的通知), or the April 2010 Notice or 17 April Notice, which provides that: (i) if a first-time home buyer (including a borrower and his or her spouse and minor children) buys a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or

more home buyers in light of risk exposure. The notice also provides for the suspension of the provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social insurances certification of more than one year.

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

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

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

In May 2010, MOHURD, PBOC and CBRC jointly issued the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and minor children), and that second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

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

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

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

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

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

In May 2012, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Version) and the Catalogue for Prohibited Land Use Projects (2012 Version) (關於發佈實施《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), as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

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

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

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

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

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

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

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

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

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

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

factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

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

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

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

On 1 April 2017, the MOHURD and the Ministry of Land and Resources 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 local government should adjust land supply on the basis of the inventory turnover cycle of the commercial residential property. If the cycle is longer than 36 months, no land shall be supplied; if the cycle lasts from 18 months to 36 months, land supply shall be reduced; if the cycle lasts from six months to 12 months, land supply shall be increased; if the cycle is shorter than six months, land supply shall be increased significantly. In addition, the circular stipulates that local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands.

Commodity Property Sales in China

Demand for real estate in China has seen a steady increase over the years. According to CEIC and the National Bureau of Statistics of China, a total GFA of 1,573.5 million sq.m. was sold in the PRC in 2016, an increase from the 606.3 million sq.m. sold in 2006. Of the 1,573.5 million sq.m. of aggregate GFA sold in 2016, approximately 1,375.4 million sq.m. were residential properties. The total revenue from real property sales in China increased from approximately CNY2,051.0 billion in 2006 to approximately CNY11,762.7 billion in 2016.

The total sales of commodity properties increased to CNY11,762.7 billion in 2016, representing a year-on-year increase of 34.8%. Total GFA completed was 1,061.3 million sq.m. in 2016, which represented a year-on-year increase of 6.1% from the same period in 2015. The aggregate GFA sold in China increased by 22.5% to 1,573.5 million sq.m. from 1,284.9 million sq.m. in 2015. Of the 1,573.5 million sq.m. of aggregate GFA sold, 1,375.4 million sq.m. were residential GFA sold, which experienced a year-on-year increase of 28.6%.

The average price of commodity properties sold in China increased from CNY3,382.9 per sq.m. in 2006 to CNY7,476.0 per sq.m. in 2016, while the average price of residential properties sold increased from CNY3,132.4 per sq.m. to CNY7,203.0 per sq.m. during the same period.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	1H 2017
Real estate investment (CNY in billions) . . .	1,938.2	2,528.0	3,058.0	3,623.2	4,826.7	6,174.0	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	5,651.0
Floor space completed (million square meters)	530.2	582.4	585.0	726.8	759.6	892.4	994.2	1,014.3	1,074.6	1,000.4	1,061.3	415.2
Floor space sold (million square meters)	606.3	761.9	620.9	947.6	1,043.5	1,099.5	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	746.6
GFA sold: residential (million square meters)	543.9	691.0	558.9	861.9	930.5	970.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4	647.9
Average price of commodity properties (CNY per square meter)	3,382.9	3,885.0	3,877.0	4,695.0	5,029.0	5,377.0	5,791.0	6,237.0	6,323.0	6,793.0	7,476.0	7,923.0
Average price of residential properties (CNY per square meter)	3,132.4	3,665.0	3,655.0	4,474.0	4,724.0	5,011.0	5,430.0	5,850.0	5,932.0	6,472.0	7,203.0	7,609.0
Total sales of commodity properties (CNY in billions)	2,051.0	2,960.4	2,407.1	4,399.5	5,247.9	5,911.9	6,445.6	8,142.8	7,629.2	8,728.1	11,762.7	5,915.2
Total sales of residential properties (CNY in billions)	1,703.8	2,532.3	2,042.4	3,815.7	4,395.3	4,861.9	5,346.7	6,769.5	6,239.6	7,275.3	9,906.4	4,929.8

Sources: CEIC; National Bureau of Statistics of China

Hotel Industry in China

China's tourism industry has benefited from the strong economic growth in China which has resulted in higher disposable income for urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travellers to China also contributed to the growth of China's tourism sector. The total number of overseas visitor arrivals reached 138.4 million visitors in 2016, representing a compound annual growth rate of 1.0% from 2006 to 2016. The majority of these visitor arrivals were compatriots from Hong Kong, Macau and Taiwan, who accounted for approximately 79.7% of all overseas visitors to the PRC in 2016. Moreover, the number of foreign visitors to the PRC also increased at a compound annual growth rate of 2.4% between 2006 and 2016.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Visitor arrivals	124.9	131.9	130.0	126.5	133.8	135.4	132.4	129.1	128.5	133.8	138.4
Visitor arrivals from Hong Kong, Macau and Taiwan	102.7	105.8	105.7	104.5	107.6	108.3	105.2	102.8	102.1	107.8	110.3
% of visitor arrivals from Hong Kong, Macau and Taiwan	82.2%	80.2%	81.3%	82.7%	80.5%	80.0%	79.5%	79.6%	79.5%	80.6%	79.7%
Visitor arrivals: Foreigners	22.2	26.1	24.3	21.9	26.1	27.1	27.2	26.3	26.4	26.0	28.1

Source: CEIC

Office Property Market in China

Many multi-national corporations have set up their regional headquarters in order to better access local markets and establish a foothold in China. The economic growth has been accompanied by a general shifting of the economic base within major urban areas such that there has been a move away from production-based industrial activities to more service-based activities, such as research and development, product design, market research and branding and advertising. The Tertiary industry is becoming a more important component of the overall economy, growing from CNY9,176.0 billion in 2006 to CNY38,422.1 billion in 2016. The employed population in the tertiary sector in China increased from 123.8 million in 1991 to 337.6 million in 2016. The growth in the tertiary sector will generate more demand for office properties to house the enlarging workforce in this sector.

Retail Property Market in China

Retail sales in China have experienced strong growth.

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

Property Market in Beijing

As the nation's capital, Beijing is a municipality that covers an area of approximately 16,412 square kilometers and had a total registered population of approximately 21.7 million as of 31 December 2016.

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	811.8	984.7	1,111.5	1,215.3	1,411.4	1,625.2	1,787.9	1,980.1	2,133.1	2,301.5	2,489.3
GDP per capita (CNY) . . .	51,722.0	60,096.0	64,491.0	66,940.0	73,856.0	81,658.0	87,475.0	94,647.9	99,995.0	106,497.0	114,590.0
Year-end registered population (millions) . . .	16.0	16.8	17.7	18.6	19.6	20.2	20.7	21.1	21.5	21.7	21.7
Disposable income per capita (CNY) ⁽¹⁾	19,977.5	21,988.7	24,724.9	26,738.5	29,072.9	32,903.0	36,469.0	44,563.9	48,531.8	52,859.2	57,275.0

Source: CEIC

Note:

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

Despite the series of austerity measures implemented by the PRC government to cool the real estate market, Beijing's property market has attracted substantial investment in the recent years. The city's average selling price of residential properties also rose significantly to CNY28,488.9 per sq.m. in 2016, representing a CAGR of 14.5% from CNY7,375.4 in 2006. Total sales revenue of residential properties increased from CNY162.6 billion in 2006 to CNY279.6 billion in 2016. The table below sets forth selected data relating to real estate development in Beijing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	172.0	199.6	190.9	233.8	290.1	303.6	315.3	348.3	371.5	417.7	450.1
GFA of residential properties completed (million square meters)	21.9	18.5	14.0	16.1	15.0	13.2	15.2	16.9	18.0	13.8	12.7
GFA of residential properties sold (million square meters)	22.1	17.3	10.3	18.8	12.0	10.3	14.8	13.6	11.4	11.3	9.8
Sale revenue from residential properties (CNY in billions)	162.6	184.6	120.1	248.7	206.1	160.6	245.5	243.5	210.2	251.3	279.6
Average price of residential properties (CNY)	7,375.4	10,661.2	11,648.0	13,224.0	17,151.0	15,516.9	16,553.5	17,854.0	18,499.0	22,300.3	28,488.9

Source: CEIC, WIND

Property Market in Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,614 square kilometers and had a total population of approximately 110.0 million as of 31 December 2016. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. The table below sets out selected economic statistics for Guangdong Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	2,658.8	3,177.7	3,679.7	3,948.3	4,601.3	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3	7,951.2
GDP per capita (CNY) . . .	28,533.7	33,271.6	37,637.9	39,435.9	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0	72,787
Year-end registered population (millions) . .	94.4	96.6	98.9	101.3	104.4	105.0	105.9	106.4	107.2	108.5	110.0
Disposable income per capita (CNY)	16,015.6	17,699.3	19,732.9	21,574.7	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2	37,684.0

Source: CEIC

Aggregate real estate investments in Guangdong Province reached approximately CNY1,030.8 billion in 2016, representing a CAGR of 18.8% since 2006. The GFA of completed residential properties in Guangdong Province was approximately 47.7 million sq.m. in 2016, representing a CAGR of 3.4% since 2006. Total residential GFA sold in Guangdong Province in 2016 was approximately 130.2 million sq.m., representing a CAGR of 10.8% since 2006. The average price of residential GFA sold in Guangdong Province in 2016 was CNY10,935.6 per sq.m., representing a CAGR of 9.1% since 2006. The table below sets out selected statistics relating to the property market in Guangdong Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	184.4	251.7	294.9	296.1	366.0	481.0	535.3	649.0	763.8	853.8	1,030.8
GFA of residential properties completed (million square meters).	34.2	35.0	34.8	41.1	45.9	48.8	49.2	47.5	54.4	44.4	47.7
GFA of residential properties sold (million square meters).	46.9	56.0	43.6	65.7	65.5	67.1	71.6	88.3	81.6	105.0	130.2
Sale revenue from residential properties (CNY in billions)	215.4	318.4	249.6	417.7	459.0	507.1	548.8	747.6	696.0	996.7	1,424.0
Average price of residential properties (CNY)	4,588.6	5,682.1	5,723.0	6,360.0	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,494.8	10,935.6

Source: CEIC, WIND

Property Market in Guangzhou

Guangzhou is the capital city of Guangdong Province. It covers a total area of approximately 7,434 square kilometers and had a registered population of approximately 14.0 million as of 31 December 2016. It is the third largest city in China in terms of GDP and the largest city in southern China. Guangzhou is approximately two hours away from Hong Kong and Shenzhen by train.

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	607.4	714.0	828.7	913.8	1,074.8	1,242.3	1,355.1	1,542.0	1,670.7	1,810.0	1,961.1
GDP per capita (CNY) . . .	63,100.0	69,672.9	76,439.5	79,383.0	87,458.0	97,588.0	105,908.9	119,695.0	128,478.0	136,188.0	139,644.0
Year-end registered population (millions) . .	10.0	10.5	11.2	11.9	12.7	12.8	12.8	12.9	13.1	13.5	14.0
Disposable income per capita (CNY)	19,851.0	22,469.2	25,316.7	27,609.6	30,658.5	34,438.1	38,053.5	42,049.1	42,954.6	46,734.6	50,940.7

Source: CEIC

Residential real estate investments in Guangzhou have increased over the years. Total real estate investments in the city amounted to approximately CNY254.1 billion in 2016, representing a CAGR of 16.4% since 2006. GFA of completed residential properties in Guangzhou in 2016 was approximately 8.2 million sq.m., representing a CAGR of 0.6% since 2006. In 2016, total residential GFA sold in Guangzhou amounted to approximately 16.2 million sq.m. The average price of total residential GFA sold in Guangzhou in 2016 reached CNY16,345.8 per sq.m., representing a CAGR of 10.3% since 2006. The table below sets out key statistics relating to the property market in Guangzhou for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	55.7	70.4	76.4	81.7	98.4	130.5	137.0	157.2	181.6	213.8	254.1
GFA of residential properties completed (million square meters)	7.7	7.0	7.5	7.9	7.7	8.4	8.0	7.1	12.2	9.8	8.2
GFA of residential properties sold (million square meters)	11.6	11.6	8.8	12.5	11.1	9.9	11.3	14.0	12.0	13.4	16.2
Sale revenue from residential properties (CNY in billions)	71.1	97.8	77.2	112.7	118.0	108.3	135.4	195.1	176.3	189.4	265.5
Average price of residential properties (CNY)	6,152.2	8,439.1	8,781.0	8,988.0	10,615.1	10,925.8	12,000.9	13,954.2	14,738.6	14,083.3	16,345.8

Sources: CEIC; WIND

Property Market in Huizhou

Huizhou is located in the southeastern region of Guangdong Province. It occupies a total area of approximately 11,346 square kilometers and had a registered population of approximately 4.8 million as of 31 December 2016. Huizhou's GDP reached approximately CNY341.2 billion in 2016. Per capita disposable income has increased from CNY15,991.0 in 2006 to CNY33,213.0 in 2016, representing a CAGR of 7.6%. The table below sets out the selected statistics of Huizhou for the periods indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	93.5	111.8	130.4	141.5	173.0	209.3	236.8	267.8	300.0	314.0	341.2
GDP per capita (CNY) . . .	25,043.0	28,288.3	31,747.6	33,141.7	38,650.0	45,330.9	50,873.5	57,144.0	63,657.0	66,231.0	71,605.0
Year-end registered population (millions) . .	3.9	4.0	4.2	4.4	4.6	4.6	4.7	4.7	4.7	4.8	4.8
Disposable income per capita (CNY)	15,991.0	18,770.0	19,481.0	21,278.0	23,565.2	26,608.9	29,965.0	32,992.0	27,299.6	30,056.9	33,213.0

Source: CEIC

Total real estate investments in Huizhou amounted to approximately CNY74.8 billion in 2016, representing a CAGR of 26.9% since 2006. In 2015, total residential GFA sold in Huizhou amounted to approximately 17.0 million sq.m., representing a CAGR of 21.6% since 2006. The average price of total residential GFA sold in Huizhou in 2016 was net recognized. The table below sets out key statistics relating to the property market in Huizhou for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	6.9	13.8	18.7	17.5	26.8	37.7	48.2	59.3	66.7	61.0	74.8
GFA of residential properties completed (million square meters).	2.5	4.0	3.0	5.4	6.3	8.0	8.3	11.5	N/A	N/A	N/A
GFA of residential properties sold (million square meters).	2.4	3.6	2.7	5.2	5.9	7.5	7.9	10.9	9.2	12.5	17.0
Sale revenue from residential properties (CNY in billions).	6.9	13.7	10.6	21.2	28.6	41.5	44.6	61.4	53.5	75.8	N/A
Average price of residential properties (CNY)	2,840.0	3,771.0	3,930.0	4,111.0	4,816.7	5,480.0	5,662.4	5,617.8	5,828.9	6,084.1	N/A

Sources: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Chongqing

Chongqing is one of the four municipalities under the direct administration of the PRC central government and an important economic hub in southwestern China. The table below sets out selected economic statistics for Chongqing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	390.7	467.6	579.4	653.0	792.6	1,001.1	1,141.0	1,278.3	1,426.3	1,571.7	1,755.9
GDP per capita (CNY) . . .	13,939.0	16,629.0	20,490.0	22,920.0	27,596.0	34,500.0	38,914.0	43,223.0	47,850.0	52,321.0	57,902.0
Year-end registered population (millions) . . .	28.1	28.2	28.4	28.6	28.8	29.2	29.5	29.7	29.9	30.2	30.5
Disposable income per capita (CNY)	11,569.7	12,590.8	14,367.6	15,748.7	17,532.4	20,249.7	22,968.1	23,058.2	25,147.2	27,238.8	29,610.0

Source: CEIC

Real estate investments in Chongqing reached approximately CNY372.6 billion in 2015, representing a CAGR of 19.5% since 2006. The GFA of completed residential properties in Chongqing was approximately 30.8 million sq.m. in 2016. Total residential GFA sold in Chongqing in 2016 was approximately 51.1 million sq.m., representing a CAGR of 9.8% since 2006. The average price of residential GFA sold in Chongqing in 2016 was CNY5,162.4 per sq.m., representing a CAGR of 11.5% since 2006. The table below sets out selected statistics relating to the property market in Chongqing for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	63.0	85.0	99.1	123.9	162.0	201.5	250.8	301.3	363.0	375.1	372.6
GFA of residential properties completed (million square meters)..	17.0	17.7	19.5	23.8	21.8	28.3	33.9	28.7	27.7	31.9	30.8
GFA of residential properties sold (million square meters)	20.1	33.1	26.7	37.7	39.9	40.6	41.1	43.6	44.2	44.8	51.1
Sale revenue from residential properties (CNY in billions)	41.9	85.7	70.5	123.2	161.1	182.5	197.2	228.4	225.3	224.4	263.6
Average price of residential properties (CNY)	2,081.3	2,588.2	2,640.0	3,266.0	4,040.4	4,492.3	4,804.8	5,238.5	5,093.7	5,012.5	5,162.4

Source: CEIC, WIND

Property Market in Tianjin

Tianjin is one of the four municipalities under the direct administration of the PRC central government and an economic and cultural centre in China. The table below sets out selected economic statistics for Tianjin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions)	446.3	525.3	671.9	752.2	922.4	1,130.7	1,289.4	1,444.2	1,572.7	1,653.8	1,788.5
GDP per capita (CNY).	42,141.0	47,970.0	58,656.0	62,574.0	72,994.0	85,213.0	93,173.0	100,105.4	105,231.3	107,960.1	114,494.3
Year-end registered population (millions)	10.8	11.2	11.8	12.3	13.0	13.5	14.1	14.7	15.2	15.5	15.6
Disposable income per capita (CNY)	14,283.1	16,357.4	19,422.5	21,402.0	24,292.6	26,920.9	29,626.0	28,979.8	31,506.0	34,101.3	37,110.0

Source: CEIC

Real estate investments in Tianjin reached approximately CNY230.0 billion in 2016, representing a CAGR of 19.1% since 2006. The GFA of completed residential properties in Tianjin was approximately 21.9 million sq.m. in 2016, representing a CAGR of 5.3% since 2006. Total residential GFA sold in Tianjin in 2016 was approximately 25.2 million sq.m. The table below sets out selected statistics relating to the property market in Tianjin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	40.2	50.5	65.4	73.5	86.7	108.0	126.0	148.1	170.0	187.2	230.0
GFA of residential properties completed (million square meters).	13.1	14.2	14.6	15.8	16.0	16.4	19.1	21.2	21.3	21.8	21.9
GFA of residential properties sold (million square meters).	13.3	14.0	11.4	14.6	13.5	13.7	15.1	17.2	14.8	16.7	25.2
Sale revenue from residential properties (CNY in billions)	62.0	78.2	63.6	96.5	103.4	116.7	121.1	144.3	131.0	166.3	324.6
Average price of residential properties (CNY)	4,649.2	5,575.7	5,598.0	6,605.0	7,940.0	8,547.6	8,009.6	8,389.8	8,828.0	9,931.0	12,869.8

Source: CEIC, WIND

Property Market in Sichuan Province

Sichuan Province is in western China. The table below sets out selected economic statistics for Sichuan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	869.0	1,056.2	1,260.1	1,415.1	1,718.5	2,102.7	2,387.3	2,639.2	2,853.6	3,005.3	3,268.1
GDP per capita (CNY) . . .	10,613.0	12,963.0	15,495.0	17,339.0	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,775.0	39,695.0
Year-end registered population (millions) . . .	81.7	81.3	81.4	81.9	80.4	80.5	80.8	81.1	81.4	82.0	82.6
Disposable income per capita (CNY)	9,350.1	11,098.3	12,633.4	13,839.4	15,461.2	17,899.1	20,307.0	22,227.5	24,234.2	26,205.3	28,333.0

Source: CEIC

Real estate investments in Sichuan Province reached approximately CNY528.3 billion in 2016, representing a CAGR of 19.1% since 2006. The GFA of completed residential properties in Sichuan Province was approximately 46.8 million sq.m. in 2016, representing a CAGR of 6.0% since 2006. Total residential GFA sold in Sichuan Province in 2016 was approximately 78.8 million sq.m., representing a CAGR of 7.7% since 2006. The average price of residential GFA sold in Sichuan in 2016 was CNY5,449.3 per sq.m., representing a CAGR of 9.9% since 2006. The table below sets out selected statistics relating to the property market in Sichuan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	92.0	133.1	145.2	158.8	219.5	281.9	326.6	385.3	438.0	481.3	528.3
GFA of residential properties completed (million square meters)..	26.2	25.9	29.0	36.8	33.9	34.6	47.1	40.3	38.7	31.5	46.8
GFA of residential properties sold (million square meters) . . .	37.4	45.6	32.5	55.5	58.5	58.3	56.8	65.1	61.8	65.0	78.8
Sale revenue from residential properties (CNY in billions)	76.2	125.3	90.7	189.1	233.1	272.7	281.6	330.9	314.5	327.0	429.6
Average price of residential properties (CNY)	2,122.6	2,752.8	3,067.0	3,434.0	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	5,449.3

Source: CEIC, WIND

Property Market in Chengdu

Chengdu is the capital city of Sichuan Province and an economic centre in southwestern China. The table below sets out selected economic statistics for Chengdu for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	275.0	332.4	390.1	450.3	555.1	685.5	813.9	910.9	1,005.7	1,080.1	1,217.0
GDP per capita (CNY) . . .	25,171.0	26,525.0	30,855.0	35,215.0	48,510.0	49,438.0	57,624.0	N/A	70,019.0	74,273.0	76,980.0
Year-end registered population (millions) . . .	11.0	11.1	11.2	11.4	11.5	14.1	14.2	14.3	14.4	14.7	15.9
Disposable income per capita (CNY)	12,789.0	14,849.2	15,580.0	17,589.0	19,919.5	23,047.8	27,194.0	29,968.0	30,996.2	33,475.9	35,902.0

Source: CEIC

Real estate investments in Chengdu reached approximately CNY263.9 billion in 2016, representing a CAGR of 15.7% since 2006. The GFA of completed residential properties in Chengdu was approximately 17.4 million sq.m. in 2016, representing a CAGR of 6.1% since 2006. Total residential GFA sold in Chengdu in 2016 was approximately 32.8 million sq.m., representing a CAGR of 8.3% since 2006. The average price of residential GFA sold in Chengdu in 2016 was CNY7,377.2 per sq.m., representing a CAGR of 7.3% since 2006. The table below sets out selected statistics relating to the property market in Chengdu for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	61.4	90.5	92.4	94.5	127.8	158.5	189.0	211.0	222.1	244.2	263.9
GFA of residential properties completed (million square meters) .	9.6	8.9	10.3	14.6	13.0	11.8	15.9	13.5	13.8	8.6	17.4
GFA of residential properties sold (million square meters)	14.8	20.8	13.6	25.5	22.9	23.1	24.3	25.6	24.8	24.5	32.8
Sale revenue from residential properties (CNY in billions)	51.9	87.5	64.9	123.9	133.4	145.9	161.9	171.5	161.8	161.1	241.9
Average price of residential properties (CNY)	3,499.0	4,198.3	4,778.0	4,864.0	5,827.2	6,360.9	6,678.5	6,707.6	6,536.0	6,584.1	7,377.2

Source: CEIC; WIND

Property Market in Liaoning Province

Liaoning Province is in northern China. The table below sets out selected economic statistics for Liaoning Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	930.5	1,116.4	1,366.9	1,521.2	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,866.9	2,203.8
GDP per capita (CNY) . . .	21,914.0	26,057.0	31,739.0	35,149.0	42,355.0	50,760.0	56,649.0	61,996.2	65,201.2	65,354.4	50,340.1
Year-end registered population (millions) . .	42.7	43.0	43.1	43.4	43.7	43.8	43.9	43.9	43.9	43.8	43.8
Disposable income per capita (CNY)	10,369.6	12,300.4	14,392.7	15,761.4	17,712.6	20,466.8	23,222.7	26,697.0	29,081.7	31,125.7	32,876.0

Source: CEIC

Real estate investments in Liaoning Province reached approximately CNY209.5 billion in 2016, representing a CAGR of 6.3% since 2006. The GFA of completed residential properties in Liaoning Province was approximately 22.1 million sq.m. in 2016, representing a decrease in CAGR of 1.0% since 2006. Total residential GFA sold in Liaoning Province in 2016 was approximately 33.8 million sq.m., representing a CAGR of 2.2% since 2006. The average price of residential GFA sold in Liaoning Province in 2016 was CNY5,876.4 per sq.m., representing a CAGR of 7.4% since 2006. The table below sets out selected statistics relating to the property market in Liaoning Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	114.2	149.8	206.1	264.1	346.6	448.8	545.6	645.1	530.1	355.9	209.5
GFA of residential properties completed (million square meters).	24.5	26.9	32.6	33.9	36.9	52.3	51.3	50.3	49.4	25.3	22.1
GFA of residential properties sold (million square meters).	27.3	35.5	37.3	48.6	60.1	66.3	76.6	80.1	49.3	34.8	33.8
Sale revenue from residential properties (CNY in billions)	78.7	118.9	133.4	188.3	258.8	300.9	361.1	394.2	251.9	190.8	198.8
Average price of residential properties (CNY)	2,883.6	3,354.6	3,575.0	3,872.0	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5,876.4

Source: CEIC, WIND

Property Market in Shenyang

Shenyang is the capital city of Liaoning Province and an economic and industrial centre in northeastern China. The table below sets out selected economic statistics for Shenyang for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	252.0	322.1	386.0	426.9	501.8	591.6	660.3	715.9	709.9	727.2	764.4
GDP per capita (CNY) . . .	33,798.0	41,767.0	49,166.0	54,654.0	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,734.0	N/A
Year-end registered population (millions) . .	7.0	7.1	7.1	7.2	7.2	7.2	7.2	7.3	7.3	7.3	N/A
Disposable income per capita (CNY)	11,651.4	14,606.5	17,013.1	18,474.6	20,541.2	23,326.2	26,430.8	29,073.9	34,232.9	36,642.9	39,135.0

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Real estate investments in Shenyang reached approximately CNY71.0 billion in 2016, representing a CAGR of 2.8% since 2006. The GFA of completed residential properties in Shenyang was approximately 8.0 million sq.m. in 2016, representing a compound annual decrease rate of 2.4% since 2006. Total residential GFA sold in Shenyang in 2016 was approximately 11.0 million sq.m., representing a compound annual decrease rate of 0.4% since 2006. The average price of residential GFA sold in Shenyang in 2016 was CNY6,837.8 per sq.m., representing a CAGR of 7.9% since 2006. The table below sets out selected statistics relating to the property market in Shenyang for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	53.8	73.0	101.1	118.9	145.0	168.5	194.3	218.4	197.6	133.8	71.0
GFA of residential properties completed (million square meters) .	10.2	10.9	10.8	10.8	11.1	16.1	16.4	12.3	9.9	7.7	8.0
GFA of residential properties sold (million square meters)	11.5	13.6	13.1	13.7	15.2	19.5	22.0	20.2	13.4	9.5	11.0
Sale revenue from residential properties (CNY in billions)	36.6	48.0	50.4	57.5	77.5	109.6	131.9	122.5	78.7	60.9	75.2
Average price of residential properties (CNY)	3,184.0	3,535.8	3,856.0	4,196.0	5,109.0	5,613.0	5,989.5	6,073.7	5,865.2	6,416.0	6,837.8

Source: CEIC, WIND

Property Market in Shaanxi Province

Shaanxi Province is in central China. The table below sets out selected economic statistics for Shaanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	474.4	575.7	731.5	817.0	1,012.3	1,251.2	1,445.4	1,604.5	1,769.0	1,802.2	1,916.5
GDP per capita (CNY) . . .	12,840.0	15,546.0	19,700.0	21,947.0	27,133.0	33,464.0	38,564.0	43,117.0	46,929.0	47,626.0	50,395.0
Year-end registered population (millions) . . .	37.0	37.1	37.2	37.3	37.4	37.4	37.5	37.6	37.8	37.9	38.1
Disposable income per capita (CNY)	9,267.7	10,763.3	12,857.9	14,128.8	15,695.2	18,245.2	20,733.9	22,345.9	24,365.8	26,420.2	28,440.0

Source: CEIC

Real estate investments in Shaanxi Province reached approximately CNY273.7 billion in 2016, representing a CAGR of 21.4% since 2006. The GFA of completed residential properties in Shaanxi Province was approximately 19.2 million sq.m. in 2016, representing a CAGR of 10.6% since 2006. Total residential GFA sold in Shaanxi Province in 2016 was approximately 30.1 million sq.m., representing a CAGR of 11.0% since 2006. The average price of residential GFA sold in Shaanxi Province in 2016 was CNY5,263.6 per sq.m., representing a CAGR of 8.6% since 2006. The table below sets out selected statistics relating to the property market in Shaanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	39.5	53.5	76.2	94.4	116.0	141.1	183.6	224.0	242.6	249.4	273.7
GFA of residential properties completed (million square meters).	7.0	8.0	8.1	7.9	8.0	10.0	14.1	12.7	18.6	13.5	19.2
GFA of residential properties sold (million square meters).	10.6	13.8	14.3	20.0	24.7	28.7	25.3	28.3	28.7	27.2	30.1
Sale revenue from residential properties (CNY in billions)	24.3	34.3	40.2	62.1	90.7	135.3	121.6	141.3	136.8	138.1	158.6
Average price of residential properties (CNY)	2,297.1	2,487.4	2,821.0	3,113.0	3,668.0	4,705.3	4,803.0	4,991.5	4,823.0	5,082.0	5,263.6

Source: CEIC, WIND

Property Market in Xi'an

Xi'an is the capital city of Shaanxi Province and an economic and cultural hub in northwestern China. The table below sets out selected economic statistics for Xi'an for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	153.9	185.7	231.8	272.4	324.2	386.3	436.6	488.4	549.3	581.0	625.7
GDP per capita (CNY) . . .	18,890.0	22,463.0	27,794.0	32,411.0	38,343.0	45,475.0	51,166.0	56,988.0	63,794.0	66,938.0	71,357.0
Year-end registered population (millions) . .	7.5	7.6	7.7	7.8	8.5	8.5	8.6	8.6	8.2	8.2	8.8
Disposable income per capita (CNY)	10,905.0	12,662.0	15,207.0	18,963.0	22,243.6	25,981.0	29,982.1	33,100.0	30,715.4	33,188.0	35,630.0

Source: CEIC

Note:

(1) N/A means not applicable

Real estate investments in Xi'an reached approximately CNY195.6 billion in 2016, representing a CAGR of 21.2% since 2006. The GFA of completed residential properties in Xi'an was approximately 12.5 million sq.m. in 2016, representing a CAGR of 13.9% since 2006. Total residential GFA sold in Xi'an in 2016 was approximately 18.8 million sq.m., representing a CAGR of 12.5% since 2006. The average price of residential GFA sold in Xi'an in 2016 was CNY6,384.9 per sq.m., representing a CAGR of 7.6% since 2006. The table below sets out selected statistics relating to the property market in Xi'an for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	28.6	38.7	54.6	69.4	84.2	99.7	128.2	159.6	176.2	183.2	195.6
GFA of residential properties completed (million square meters) .	3.4	4.2	4.1	4.5	4.1	5.7	9.0	6.6	12.9	7.5	12.5
GFA of residential properties sold (million square meters)	5.8	7.8	7.2	12.0	15.2	16.7	13.8	15.2	15.3	15.8	18.8
Sale revenue from residential properties (CNY in billions)	17.9	25.2	27.2	45.1	66.1	97.4	85.9	97.6	92.9	98.5	119.4
Average price of residential properties (CNY)	3,072.8	3,215.5	3,768.0	3,749.0	4,341.3	5,829.8	6,224.0	6,434.9	6,105.0	6,220.5	6,384.9

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Shanxi Province

Shanxi Province is in central northern China. The table below sets out selected economic statistics for Shanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	487.9	602.4	731.5	735.8	920.1	1,123.8	1,211.3	1,266.5	1,276.1	1,276.6	1,292.8
GDP per capita (CNY) . . .	14,497.0	17,805.0	21,506.0	21,522.0	26,283.0	31,357.0	33,628.0	34,983.8	35,070.0	34,918.7	35,189.0
Year-end registered population (millions) . . .	33.7	33.9	34.1	34.3	35.7	35.9	36.1	36.3	36.5	36.6	36.8
Disposable income per capita (CNY)	10,027.7	11,565.0	13,119.1	13,996.6	15,647.7	18,123.9	20,411.7	22,258.2	24,069.4	25,827.7	27,352.0

Source: CEIC

Real estate investments in Shanxi Province reached approximately CNY159.7 billion in 2016, representing a CAGR of 22.6% since 2006. The GFA of completed residential properties in Shanxi Province was approximately 20.4 million sq.m. in 2016, representing a CAGR of 13.2% since 2006. Total residential GFA sold in Shanxi Province in 2016 was approximately 18.8 million sq.m., representing a CAGR of 9.8% since 2006. The average price of residential GFA sold in Shanxi Province in 2016 was CNY4,787.6 per sq.m., representing a CAGR of 10.2% since 2006. The table below sets out selected statistics relating to the property market in Shanxi Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	20.9	25.9	32.7	47.7	59.2	79.0	101.0	130.9	140.4	149.5	159.7
GFA of residential properties completed (million square meters).	5.9	6.9	7.8	7.4	9.9	18.9	14.4	18.5	17.0	15.7	20.4
GFA of residential properties sold (million square meters).	7.4	8.5	8.9	9.6	10.7	11.7	13.9	14.8	14.3	14.8	18.8
Sale revenue from residential properties (CNY in billions)	13.0	16.9	17.9	24.3	35.2	37.2	51.3	62.5	64.0	70.2	90.1
Average price of residential properties (CNY)	1,805.5	2,052.4	2,253.0	2,552.0	3,338.0	3,231.4	3,690.9	4,211.5	4,462.1	4,741.5	4,787.6

Source: CEIC, WIND

Property Market in Datong

Datong is a prefecture-level city in northern Shanxi Province in northern China with a total area of 14,1767 square kilometers, located a few hundred kilometers west from Beijing. As of 31 December 2016, Datong has a registered population of approximately 3.4 million.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	40.6	49.1	57.0	59.6	69.6	84.4	93.1	96.7	100.2	105.3	102.5
GDP per capita (CNY) . . .	12,970.0	15,581.0	17,974.0	18,710.0	21,369.0	25,341.0	27,815.0	28,744.0	29,607.0	30,989.0	30,032.0
Year-end registered population (millions) . .	3.1	3.1	3.1	3.2	3.2	3.3	3.2	3.4	3.4	3.4	3.4
Disposable income per capita (CNY)	9,765.0	11,508.0	13,758.0	14,585.0	16,102.6	18,914.9	21,482.0	21,316.4	23,043.0	24,771.0	26,273.0

Source: CEIC

Real estate investments in Datong reached approximately CNY16.8 billion in 2016, representing a CAGR of 23.1% since 2006. Total residential GFA sold in Datong was approximately 1.3 million sq.m., representing a CAGR of 5.0% since 2006. The average price of residential GFA sold in 2016 was not recognized. The table below sets out selected statistics related to the property market in Datong for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	2.1	2.8	2.7	8.4	9.1	13.4	17.1	26.5	23.7	13.9	16.8
GFA of residential properties completed (million square meters) .	0.8	1.0	0.7	0.6	0.8	0.9	1.1	1.2	N/A	N/A	N/A
GFA of residential properties sold (million square meters)	0.8	0.9	0.7	0.6	0.7	0.9	1.0	1.0	0.7	1.2	1.3
Sale revenue from residential properties (CNY in billions)	1.5	1.9	1.4	1.6	2.0	2.8	3.9	3.9	2.9	5.3	N/A
Average price of residential properties (CNY)	2,007.0	2,040.0	2,129.0	2,760.0	2,748.0	3,206.3	3,881.4	3,993.4	4,003.9	4,498.0	N/A

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Taiyuan

Taiyuan is the capital city of Shanxi Province in northern China. The table below sets out selected economic statistics for Taiyuan for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	101.4	125.5	146.8	154.5	177.8	208.0	231.1	241.3	253.1	273.5	295.6
GDP per capita (CNY) . . .	29,504.0	36,377.0	42,378.0	44,319.0	50,225.0	49,292.0	54,440.0	56,547.0	59,023.0	63,483.0	68,234.0
Year-end registered population (millions) . .	3.5	3.6	3.6	3.7	3.7	3.7	3.7	3.7	4.3	4.3	4.3
Disposable income per capita (CNY)	11,741.0	13,745.5	15,230.0	15,606.9	17,257.7	20,148.5	22,587.0	23,881.4	25,768.4	27,727	29,632.0

Source: CEIC

Real estate investments in Taiyuan reached approximately CNY68.2 billion in 2016, representing a CAGR of 23.9% since 2006. The GFA of completed residential properties in Taiyuan was approximately 4.6 million sq.m. in 2016, representing a CAGR of 14.4% since 2006. Total residential GFA sold in Taiyuan in 2016 was approximately 5.6 million sq.m., representing a CAGR of 16.7% since 2006. The average price of residential GFA sold in Taiyuan in 2016 was CNY7,347.6 per sq.m., representing a CAGR of 8.8% since 2006. The table below sets out selected statistics relating to the property market in Taiyuan for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	8.0	9.5	12.1	16.5	24.1	31.2	36.5	43.0	48.3	60.4	68.2
GFA of residential properties completed (million square meters) .	1.2	0.9	1.6	1.4	1.1	2.1	2.0	2.1	4.9	3.2	4.6
GFA of residential properties sold (million square meters)	1.2	1.5	1.6	1.7	2.4	1.8	3.1	4.0	3.9	4.2	5.6
Sale revenue from residential properties (CNY in billions)	3.9	5.3	6.1	7.6	16.6	12.2	19.7	26.7	28.2	30.8	40.9
Average price of residential properties (CNY)	3,156.3	3,560.5	3,743.0	4,499.0	7,088.0	6,517.5	6,404.7	6,667.9	7,155.0	7,303.1	7,347.6

Source: CEIC, WIND

Note:

(1) N/A means not applicable

Property Market in Hainan Province

Hainan Province is in southern China. The table below sets out selected economic statistics for Hainan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	106.6	125.4	150.3	165.4	206.5	252.3	285.6	317.8	350.1	370.3	404.5
GDP per capita (CNY) . . .	12,810.0	14,923.0	17,691.0	19,254.0	23,831.0	28,898.0	32,377.0	35,663.0	38,923.7	40,818.0	44,252.0
Year-end registered population (millions) . .	8.4	8.5	8.5	8.6	8.7	8.8	8.9	9.0	9.0	9.1	9.2
Disposable income per capita (CNY)	9,395.1	10,996.9	12,607.8	13,750.9	15,581.1	18,369.0	20,917.7	22,411.4	24,486.5	26,356.4	28,453.0

Source: CEIC

Real estate investments in Hainan Province reached approximately CNY178.8 billion in 2016, representing a CAGR of 35.0% since 2006. The GFA of completed residential properties in Hainan Province was approximately 14.4 million sq.m. in 2016, representing a CAGR of 32.0% since 2006. Total residential GFA sold in Hainan Province in 2016 was approximately 14.2 million sq.m., representing a CAGR of 22.3% since 2006. The average price of residential GFA sold in Hainan Province in 2016 was CNY9,775.4 per sq.m., representing a CAGR of 10.1% since 2006. The table below sets out selected statistics relating to the property market in Hainan Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	8.9	12.8	19.9	28.8	46.8	65.1	88.7	119.7	143.2	170.4	178.8
GFA of residential properties completed (million square meters)	0.9	2.1	2.7	4.0	5.2	4.0	7.3	5.2	10.5	9.2	14.4
GFA of residential properties sold (million square meters).	1.9	3.0	3.6	5.5	8.3	8.2	9.0	11.5	9.4	9.8	14.2
Sale revenue from residential properties (CNY in billions)	6.7	12.2	17.1	34.3	73.4	75.9	70.2	99.7	87.3	90.9	138.5
Average price of residential properties (CNY)	3,734.7	4,094.6	5,441.0	6,291.0	8,800.1	9,083.1	7,811.3	8,633.1	9,262.0	9,226.4	9,775.4

Source: CEIC, WIND

Property Market in Shanghai

Shanghai is one of the four municipalities in China. It is a global city with important influence over commerce, finance, and culture. The table below sets out selected economic statistics for Shanghai for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	1,057.2	1,249.4	1,407.0	1,504.6	1,716.6	1,919.6	2,018.2	2,181.8	2,356.8	2,512.3	2,746.6
GDP per capita (CNY) . . .	54,858.0	62,041.0	66,932.0	69,165.0	76,074.5	82,560.0	85,373.0	90,993.0	97,370.0	103,795.5	11,360.0
Year-end registered population (millions) . . .	19.6	20.6	21.4	22.1	23.0	23.5	23.8	24.1	24.3	24.2	24.2
Disposable income per capita (CNY)	20,667.9	23,622.7	26,674.9	28,837.8	31,838.1	36,230.5	40,188.0	43,851.4	48,841.4	52,961.9	57,692.0

Source: CEIC

Real estate investments in Shanghai reached approximately CNY370.9 billion in 2016, representing a CAGR of 11.3% since 2006. The GFA of completed residential properties in Shanghai was approximately 15.3 million sq.m. in 2016, representing a compound annual decrease of 5.5% since 2006. Total residential GFA sold in Shanghai in 2016 was approximately 20.2 million sq.m., representing a compound annual decrease of 2.6% since 2006. The average price of residential GFA sold in Shanghai in 2016 was CNY25,910.0 per sq.m., representing a CAGR of 13.9% since 2006. The table below sets out selected statistics relating to the property market in Shanghai for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	127.6	130.8	136.7	146.4	198.1	217.0	238.1	282.0	320.6	346.9	370.9
GFA of residential properties completed (million square meters).	27.0	27.5	17.6	15.1	14.0	15.5	16.1	14.2	15.4	15.9	15.3
GFA of residential properties sold (million square meters).	26.2	32.8	19.7	29.3	16.9	14.7	15.9	20.2	17.8	20.1	20.2
Sale revenue from residential properties (CNY in billions)	184.1	270.6	160.8	362.0	239.5	198.2	220.9	326.4	292.3	432.0	523.3
Average price of residential properties (CNY)	7,039.0	8,253.0	8,115.0	12,364.0	14,212.8	13,448.4	13,869.9	16,192.2	16,415.5	21,501.1	25,910.0

Source: CEIC, WIND

Property Market in Heilongjiang

Heilongjiang Province is located in Northeast China. It covers a total area of approximately 452,645 square kilometers and had a total population of approximately 38.1 million as of 31 December 2015. The table below sets out selected economic statistics of Heilongjiang Province for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions) . . .	621.2	710.4	831.4	858.7	1,036.9	1,258.2	1,369.2	1,445.5	1,503.9	1,508.4	1,538.6
GDP per capita (CNY) . . .	16,255.0	18,580.0	21,740.0	22,447.0	27,076.0	32,819.0	35,711.0	37,697.0	39,226.3	39,461.6	40,432.0
Year-end registered population (millions) . . .	38.2	38.2	38.3	38.3	38.3	38.3	38.3	38.4	38.3	38.1	38.0
Disposable income per capita (CNY)	9,182.3	10,245.3	11,581.3	12,566.0	13,856.5	15,696.2	17,759.8	20,848.4	22,609.0	24,202.6	25,736.0

Aggregate real estate investments in Heilongjiang Province reached approximately CNY86.5 billion in 2016, representing a CAGR of 10.4% since 2006. The GFA of completed residential properties in Heilongjiang Province was approximately 17.6 million sq.m. in 2016, representing a CAGR of 4.3% since 2006. Total residential GFA sold in Heilongjiang Province in 2016 was approximately 18.0 million sq.m., representing a CAGR of 3.3% since 2006. The average price of residential GFA sold in Heilongjiang Province in 2016 was CNY5,028.7 per sq.m., representing a CAGR of 9.5% since 2006. The table below sets out selected statistics relating to the property market in Heilongjiang Province for the years indicated.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	32.1	38.2	44.0	56.4	84.3	122.8	153.6	160.5	132.4	99.2	86.5
GFA of residential properties completed (million square meters)	11.5	12.5	11.1	15.6	17.8	24.0	26.5	23.4	23.0	21.3	17.6
GFA of residential properties sold (million square meters).	13.0	15.2	13.0	17.5	23.8	29.1	32.3	29.4	21.3	17.1	18.0
Sale revenue from residential properties (CNY in billions)	26.4	35.8	34.1	53.6	83.0	108.0	120.2	130.6	96.3	82.4	90.4
Average price of residential properties (CNY)	2,035.2	2,354.2	2,642.0	3,067.0	3,492.0	3,682.8	3,725.5	4,435.5	4,517.0	4,818.3	5,028.7

Source: CEIC, WIND

Property Market in Harbin

Harbin is the capital and largest city of Heilongjiang Province in Northeast China, as well as the tenth most populated city in the PRC. Harbin serves as a key political, economic, scientific, cultural and communications hub in Northeast China. The table below sets out selected statistics for Harbin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GDP (CNY in billions).	209.4	243.7	286.8	317.6	366.5	424.2	455.0	501.7	534.0	575.1	610.2
GDP per capita (CNY)	21,374.0	24,768.0	29,012.0	32,053.0	36,951.0	42,736.0	45,810.0	50,435.4	53,872.0	59,027.0	63,445.0
Year-end registered population (millions)	9.8	9.9	9.9	9.9	9.9	9.9	9.9	10.0	9.9	9.6	9.6
Disposable income per capita (CNY)	11,230.0	12,772.0	14,588.6	15,887.0	17,557.0	20,030.6	22,477.0	25,196.7	28,815.9	30,978.0	33,190.0

Source: CEIC

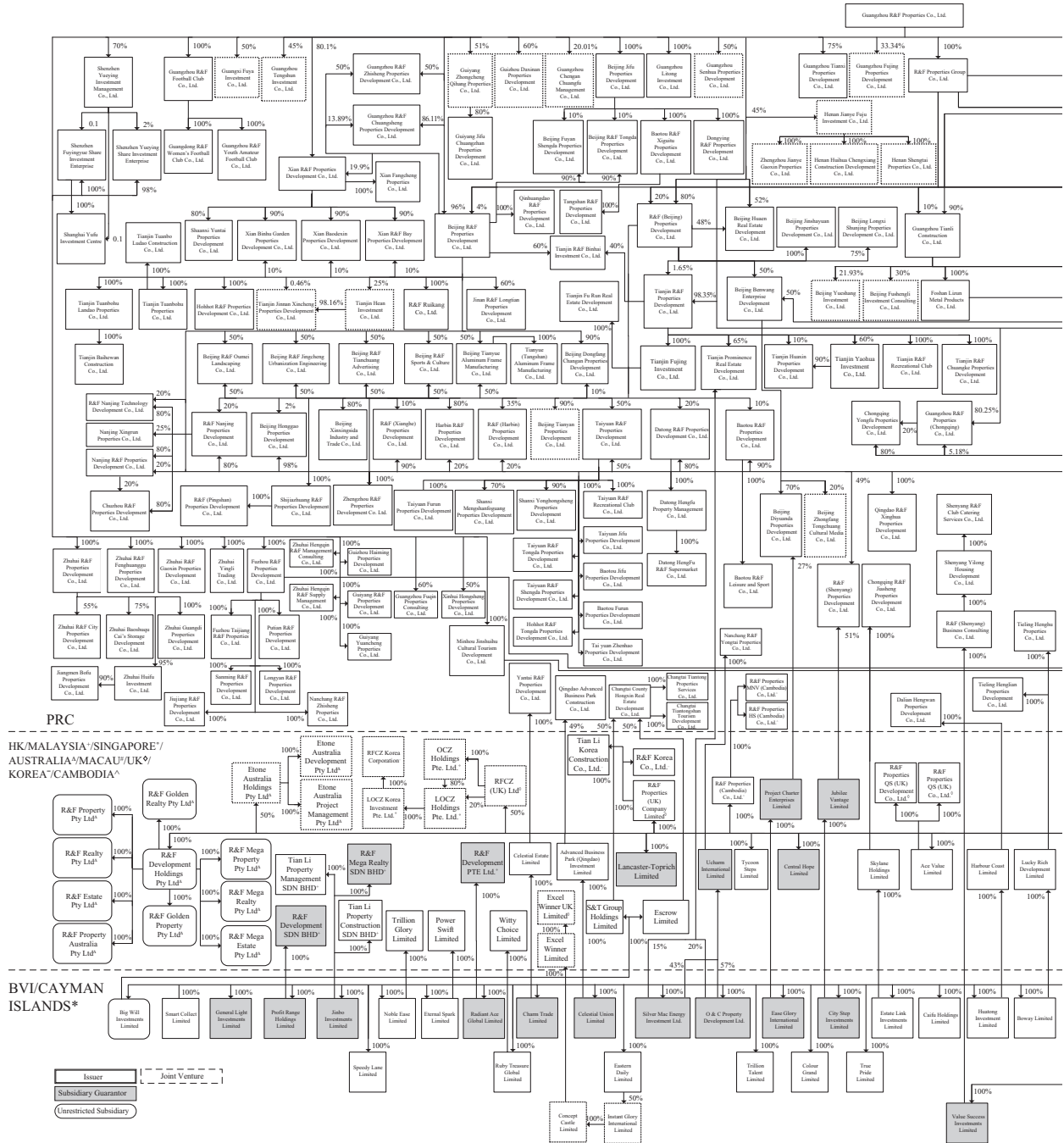
Real estate investments in Harbin reached approximately CNY51.2 billion in 2016, representing a CAGR of 12.5% since 2006. The GFA of completed residential properties in Harbin was approximately 11.5 million sq.m. in 2016, representing a CAGR of 7.9% since 2006. Total residential GFA sold in Harbin was approximately 8.9 million sq.m. in 2016, representing a CAGR of 4.4% since 2006. The average price of residential GFA sold in 2016 was CNY6,337.6 per sq.m., representing a CAGR of 9.7% since 2006. The table below sets out selected statistics related to the property market in Harbin for the years indicated:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real estate investment (CNY in billions)	15.8	18.7	21.6	27.9	36.1	56.6	77.2	85.0	67.4	58.1	51.2
GFA of residential properties completed (million square meters) .	5.4	5.0	3.9	4.5	6.4	6.2	9.0	8.5	10.1	9.6	11.5
GFA of residential properties sold (million square meters)	5.8	6.7	5.0	6.3	8.1	8.9	10.1	12.1	9.0	7.9	8.9
Sale revenue from residential properties (CNY in billions)	14.4	19.7	17.7	26.0	41.9	47.1	52.7	72.2	52.9	49.4	57.6
Average price of residential properties (CNY)	2,502.9	2,942.7	3,515.0	4,146.0	5,196.0	5,216.7	5,112.8	5,884.1	5,750.8	6,124.3	6,337.6

Source: CEIC, WIND

CORPORATE STRUCTURE

The following structural chart sets forth our corporate structure as of the date of this offering memorandum:



BUSINESS

Overview

We are a leading PRC property developer headquartered in Guangzhou, with an established presence in Beijing and its vicinity, Shanghai and its vicinity, Hangzhou and its vicinity, Xian, Chongqing, Hainan, Taiyuan, Shenyang and its vicinity, Huizhou and its vicinity, Nanjing, Chengdu, Harbin, Datong, Wuxi, Changsha and its vicinity, Meizhou, Fuzhou, Guiyang, Nanning, Foshan, Zhuhai, Baotou, Zhengzhou, Shijiazhuang, Shenzhen, Ningbo, Nanchang, Yantai, Qinhuaogdao, Huhhot, Dalian, Nantong, Tangshan, Wenzhou and its vicinity, Huzhou, Chuzhou, Putian, Jiangmen, Dongying, Zhangzhou, Fuyang, Sanming, Longyan, Jiujiang, Johor Bahru in Malaysia, Melbourne and Brisbane in Australia, Incheon in Korea and London in the United Kingdom. Founded in 1994, we integrate real estate design, development, engineering supervision, sales, property management, and real estate investment in a single enterprise. We were ranked No. 1 in terms of overall strength among all property developers in China during 2005-2009 by the National Statistics Bureau, and ranked among “China’s Top 10 Listed Real Estate Companies in Terms of Overall Strength” during 2011-2017 by China Real Estate Association and China Real Estate Appraisal. We primarily develop and sell quality private residential properties in Guangzhou, Beijing, Tianjin, and more recently, other Chinese cities. In addition to the development and sale of residential properties, we develop, sell and lease out commercial and office spaces. We currently own four shopping malls and two office buildings. We also engage in the development of hotels. As of 30 June 2017, our hotel portfolio includes 16 hotels managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., Inter Continental Hotels Group, AccorHotels and Atour Hotel. We believe our investment properties and hotels will help further strengthen our brand name. In addition, we also engage in other ancillary property-related services including property management and property agency services. We are also in the process of acquiring additional hotel properties from Dalian Wanda Commercial Properties Co., Ltd. See “Summary – Recent Developments – Dalian Wanda Hotel Acquisition” for more details.

We focus on medium- to high-end property developments and target the middle to upper-middle income residents in the cities where we have operations, and gradually expanded into new emerging cities. Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China’s largest cities, capturing the opportunities presented by its rapidly growing economy. Along with the growth of our business in Guangzhou, we have built up sizable land bank in other top-tier cities such as Beijing, Shanghai, Shenzhen, Tianjin and Hangzhou. As of 30 June 2017, we had landbank in 46 cities and regions across in China and five cities overseas. Our key markets are Southern, Eastern and Northern China, including, but not limited to, the Pearl River Delta, the Bohai-Rim, the Yangtze River Delta, Taiyuan, Fujian, Hainan. We have also managed to expand in a prudent manner into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the impact of regulatory measures by leveraging our expertise and resources to diversify our property portfolio.

As of 30 June 2017, we had 217 projects developments across different regions in China and 4 overseas countries, including 68 property developments in Guangzhou, 16 in Beijing and vicinity, ten in Tianjin, four in Shanghai and its vicinity, four in Hangzhou and its vicinity, three in Xian, five in Chongqing, six in Hainan, ten in Taiyuan, eight in Shenyang and its vicinity, seven in Huizhou and its vicinity, three in Nanjing, three in Chengdu, two in Harbin, one in Datong, four in Wuxi, one in Changsha and its vicinity, one in Meizhou, two in Fuzhou, three in Guiyang, one in Nanning, three in Foshan, three in Zhuhai, two in Baotou, two in Zhengzhou, three in Shijiazhuang, two in Shenzhen, three in Ningbo, three in Nanchang, one in Yantai, one in Qinhuaogdao, one in Huhhot, one in Dalian, two in Nantong, two in Tangshan, two in

Wenzhou and its vicinity, two in Huzhou, one in Chuzhou, one in Putian, two in Jiangmen, two in Dongying, one in Zhangzhou, one in Fuyang, one in Sanming, two in Longyan, one in Jiujiang, one in Johor Bahru, Malaysia, six in Melbourne and Brisbane in Australia, one in Incheon, Korea and two in London, UK. These property developments have an aggregate site area of 45.9 million sq.m. and a GFA of approximately 102.7 million sq.m.

As of 30 June 2017, our total land bank of development properties, calculated by adding GFA under development and GFA held for future development, amounted to approximately 60.3 million sq.m., 55.6 million sq.m. of which was attributable to us. Of our attributable land bank, 3.0%, 2.4%, 8.1% and 6.9% was located Guangzhou, Beijing and its vicinity, Chongqing and Tianjin, respectively. For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017, our total saleable GFA delivered amounted to 3.5 million, 4.21 million sq.m. and 1.38 million sq.m., respectively, and our contracted sales GFA amounted to 4.11 million sq.m., 4.69 million sq.m. and 2.94 million sq.m., respectively, having a total value of approximately CNY54,397 million, CNY60,865 million (US\$8,978.1 million) and CNY38,814 million (US\$5,725.4 million), respectively.

For the six months ended 30 June 2017, we had acquired 45 parcels of land, with an aggregate planned GFA of approximately 11.4 million sq.m. With respect to such newly acquired land, we had not obtained land use rights certificates but had entered into land grant contracts or obtained land grant confirmation letters and were in the process of applying for the relevant land use rights.

The following table sets forth the geographical distribution of our projects in terms of GFA completed, GFA under development and GFA held for future development as of 30 June 2017:

Region	Total GFA completed		Total GFA Under Development		Total GFA Held for Future Development		Total	
	(sq.m.)		(sq.m.)		(sq.m.)		(sq.m.)	
Southern China .	16,068,294	37.9%	6,153,626	35.7%	12,677,609	29.4%	34,899,530	34.0%
Northern China .	18,288,459	43.1%	6,885,953	40.0%	16,845,273	39.1%	42,019,685	40.9%
Eastern China . .	3,144,484	7.4%	2,434,459	14.1%	3,691,436	8.6%	9,270,379	9.0%
Western China . .	4,925,732	11.6%	962,901	5.6%	4,828,765	11.2%	10,717,398	10.4%
Overseas	—	—	778,209	4.5%	5,032,405	11.7%	5,810,614	5.7%
Total	42,426,969	100.0%	17,215,149	100.0%	43,075,488	100.0%	102,717,606	100.0%

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue generated from property development was CNY31,651.0 million, CNY40,744.2 million, CNY49,489.3 million (US\$7,300.1 million) and CNY18,235.0 million (US\$2,689.8 million), respectively.

We also lease out commercial and office properties and parking spaces. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue from leasing activities was CNY827.3 million, CNY857.3 million, CNY917.9 million (US\$135.4 million) and CNY447.8 million (US\$66.1 million), respectively.

We also engage in hotel operations. As of 30 June 2017, we operated 16 hotels namely, Renaissance Beijing Capital Hotel, Holiday Inn Express Temple of Heaven Beijing, The Ritz-Carlton Guangzhou, Grand Hyatt Guangzhou, Holiday Inn Guangzhou Airport Zone, Park Hyatt, Guangzhou, Conrad, Guangzhou, Renaissance Huizhou Hotel, Intercontinental Huizhou Resort, Hyatt Regency Chongqing, Holiday Inn Chongqing University Town, The Ritz-Carlton Chengdu, Pullman Taiyuan R&F Hotel, Marriot Resort & Spa Hainan Xiangshui Bay, DoubleTree Resort by Hilton Haikou-Chengmai and Hainan Xiangshui Bay Atour Hotel. For the years ended

31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our revenue from hotel operations was CNY1,108.6 million, CNY1,181.2 million, CNY1,362.0 million (US\$200.9 million) and CNY723.8 million (US\$106.8 million), respectively.

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, our revenue was CNY34,705.4 million, CNY44,290.9 million, CNY53,730.3 million (US\$7,925.6 million), CNY22,389.4 million (US\$3,302.6 million) and CNY20,413.9 million (US\$3,011.2 million), respectively. For the same years, our net profit was CNY6,506.4 million, CNY6,712.3 million, CNY7,056.0 million (US\$1,040.8 million), CNY2,424.2 million (US\$357.6 million) and CNY2,480.8 million (US\$365.9 million), respectively.

We intend to build on our position as a leading real estate developer in Guangzhou and a successful developer in Beijing and other cities to increase our market share in these cities. We are also pursuing quality business opportunities in other fast growing cities in China, with a view to establishing a nationwide presence.

Competitive Strengths

Proven track record of steady and organic growth with strong cash flow position

We are one of the first PRC based real estate developers to list their shares on the Hong Kong Stock Exchange. Since 2005, we have experienced steady growth in terms of both assets and profit. We actively monitor and manage our liquidity position by taking into account our capital needs, available cash and financing options. As of 30 June 2017, our cash and restricted cash amounted to CNY32,421.2 million (US\$4,782.4 million). We have been primarily relying on internally generated cash through property sales and, to a lesser extent, short-term onshore bank financings to support our business expansion. Since our IPO in 2005, we have executed several debt and equity fund raising transactions through the capital markets, including the follow-on offering of shares in 2006, the 2014 Corporate Bonds issued in 2009, the 2011 Notes issued in 2011 and 2012, the 2020 Notes issued in 2013, the 2019 Notes issued in January 2014, the 2015 Corporate Bonds issued in 2015, the 2016 Corporate Bonds issued in 2016, the 2022 Notes issued in January 2017 and the 2018 Notes issued in October 2017. As required by the PRC laws and regulations, a real estate developer can only borrow from PRC banks to finance a particular project development after the land premium is paid. As of 30 June 2017, 84% of the land premium for our 80 projects under development and 54 projects held for future development have been fully settled. The remaining 16% of the land premium outstanding amounts to approximately CNY19,100.0 million (US\$2,817.4 million). As a result, we believe we are better positioned to maintain a strong cash flow position than many of our competitors.

Nationwide property developer with a geographically diversified portfolio of development projects and prudent land acquisition policy

We are one of the largest property developers in the PRC with one of the most geographically diversified portfolios of development projects. Our projects span 46 PRC cities and regions and five oversea cities. As of 30 June 2017, including joint-venture projects, we had a total GFA of 17.2 million sq.m. under development and 43.1 million sq.m. more held for future development. We have also adopted a disciplined approach to land acquisition by undertaking extensive research and planning prior to land acquisition. In particular, we maintain good relationships with local governments and seek opportunities to acquire land at reasonable costs such as through redevelopment of old urban areas, farm property development and primary land development. Over the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, our land cost represented only 16.8%, 23.9%, 25.8% and 20.4% of revenue from property developments, which enables us to maintain stable gross margins of 37.1%, 33.8%,

29.8% and 38.7% over the same period for the property development segment. We believe our low-cost land bank will support our future profitability, allow us to use our working capital more effectively with more commercial flexibility in responding to the changing market condition.

Leading developer mainly focusing on tier-I cities and tier-II cities, and established quality land bank in cities with significant growth potential

We are well recognised in Guangzhou, the provincial capital of Guangdong, as a leading large-scale property developer. As of 30 June 2017, including joint-venture projects, we have 8 projects under development in Guangzhou with a total GFA of 1.3 million sq.m., representing approximately 7.7% of our total GFA under development. In addition to Guangzhou and the surrounding Pearl River Delta region, we have established presence in cities such as Beijing and Tianjin. As of 30 June 2017, our attributable land bank in Guangzhou, Beijing and its vicinity and Tianjin amounted to 1.7 million sq.m., 1.3 million sq.m. and 3.9 million sq.m., respectively, representing a combined 12.4% of our total attributable land bank. We have a track record of consistent strong sales in Guangzhou, Beijing and its vicinity and Tianjin.

In addition to the Pearl River Delta region and the Bohai Rim area, we have selectively expanded our presence to key cities in other economically prosperous regions in China, for example, the Chengdu-Chongqing Economic Zone and Yangtze River Delta region. As of 30 June 2017, our land bank in these areas amounted to 4.6 million sq.m. and 5.7 million sq.m., respectively, together representing 18.5% of our total attributable land bank.

We believe we can leverage our accumulated knowledge and experience in property development in the Pearl River Delta region to expand into other regions in China. We believe that our well-established position and operating expertise, together with our prudent expansion strategy, will enable us to further geographically diversify our properties portfolio and enhance our profitability.

Experience in large-scale developments and residential developments, high grade investment properties and luxury hotels

We have a strong capability to develop a wide range of properties, particularly large-scale residential developments and investment properties. Over the past five years, the average size of our projects amounts to over 350,000 sq.m. in terms of GFA. Some of our largest development undertakings measured by total GFA include Chongqing R&F City at 6.6 million sq.m., Malaysia Johor Bahru R&F Princess Cove at 4.1 million sq.m., Xiangjiang R&F City at 3.4 million sq.m., Tianjin Jinnan New Town at 3.0 million sq.m. and Tianjin R&F New Town at 2.8 million sq.m.. We have expertise in running multiple large-scale projects simultaneously and many of our large-scale projects have multiple developmental phases. In 2015, we launched Zhengzhou Wulong New Town with Central China Real Estate and E-House China (“EJU”). We also launched Nanning Fuya Business Park with Agile in the same year. As such, our projects can generate revenue as each phase is completed and there is a shorter delay between the start of a project and revenue recognition.

Our development capability is evidenced by our steady roll out of high-quality residential properties as well as investment properties and hotels. Our portfolio of investment properties includes high-grade office buildings and retail complex such as R&F Center in Guangzhou with high profile, international tenants and Viva R&F Plaza in Beijing, among others. We have established partnership with Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group, AccorHotels and Atour Hotel to manage our hotel properties. We have hotels operating under luxury brands such as Ritz-Carlton, Park Hyatt, Grand Hyatt, Renaissance, Doubletree, Pullman, and Conrad among others. Our 16 hotels have generated stable cash flow for multiple years and have limited execution risks.

Ability to attract internationally renowned venture partners including other PRC and Hong Kong developers and leading international hotel managers

Due to our premium product quality, recognised brand name and strong execution capability, many reputable property developers both from the PRC and Hong Kong are willing to cultivate working relationships with us by setting up mutually beneficial joint ventures or other arrangements to enhance our mutual profitability. Our JV partners include, among others, Agile, Central China Real Estate, Country Garden, EJU, KWG, Shimaos, Sun Hung Kai Properties, Vanke, Xiamen C&D and Beijing Capital Development.

In addition to other property developers, we also have good working relationships with leading international hotel managers. We have an established long-term partnership with Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., InterContinental Hotels Group and AccorHotels to manage our hotel properties.

Prudent and disciplined expansion

Since our establishment in Guangzhou in 1994, we have selectively expanded into 46 cities in different regions of China, one city in Malaysia, two cities in Australia, one city in Korea and one city in the United Kingdom. Typically we expand into a city only if we expect we will develop at least three projects. Such a strategy allows us to better manage our resources to achieve economies of scale. For each city we expand into, we conduct in-depth market analysis to understand competitive conditions in different localities. We also make substantial marketing efforts to establish and strengthen our brand name. Such a prudent and disciplined expansion strategy enables us to identify trends and levels of local market demand and to plan and design our property developments accordingly to match the preferences of our target customers.

Experienced and stable management team

Our management team has extensive experience in the property sector and related industries as well as expertise in the development and sales of properties in Guangzhou, Beijing and other cities in the PRC. The key members of our management have not changed since our establishment. In particular, Li Sze Lim and Zhang Li, who co-founded our company, have worked with us since we started our property development business in 1994 and, as our executive directors, have accumulated valuable managerial experience.

Business Strategies

Maintain leadership position in key cities while enhancing our presence in other cities and overseas

We intend to maintain our leadership position in key cities, including Guangzhou, Beijing and Tianjin, while further expanding our operations in other cities. We believe that we can continue to leverage our local knowledge and brand recognition in Guangzhou, Beijing and Tianjin to further grow our business in these markets. At the same time, we intend to diversify our revenue portfolio by expanding our existing developments in cities where we already have operations as well as expanding into certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to regulatory measures. In addition, we intend to expand our presence overseas. We have entered into the property development markets in Malaysia, Australia, Korea and the United Kingdom. As of 30 June 2017, our overseas land bank attributed to 9.6% of our total GFA as of the same date.

Focus on geographic locations with attractive growth potentials, including tier-II cities and tier-III cities

We will continue to develop properties in major cities with strong economic growth. We will continue to focus on developing large scale projects that can be developed in phases. In line with our prudent expansion strategy discussed above, we plan to procure more low-cost land in each of the regions in which we operate, but particularly in certain selected tier-II cities and tier-III cities with high growth potential and lower susceptibility to the regulatory measures.

Continue to expand our business operations in a prudent manner

We have adopted a disciplined approach to expansion and land acquisition. While we intend to leverage our strong financial position and extensive experience to expand into other regions, we will continue our practice of conducting in-depth market research and analysis before the expansion. We will expand to a location only if we believe that our brand name and expertise in developing high- quality properties coupled with high economic growth in the region will allow us to enhance our profitability and financial condition.

We intend to adhere to our prudent financial management philosophy to maintain our financial strength by managing carefully such key measures as land premium, development cost, cash flows and fixed charge coverage. A critical part of our prudent financial practice is our proactive management of sales to ensure adequate cash flow from our operations to support our ongoing capital commitments. We intend to also remain disciplined in our capital commitments, including land auction bidding and development cost control.

Enhance value of our residential development with investment properties and other operations

We intend to focus on realising increased synergy among our property development, investment properties and hotel operations. We intend to develop high quality hotels and retail properties in and around our large residential communities to enhance the value and attractiveness of our residential developments. This strategy has the added benefits of generating recurring rental revenues and diversifying our income mix. In addition, we also provide property management, consulting and advisory services. We plan to continue to enhance cooperation among our businesses to more efficiently use our resources, to address our customers' needs and to further enhance our brand name.

Maintain and develop a substantial portfolio of luxury hotels in China for long-term investment

We intend to maintain and develop our portfolio of luxury hotels in China by differentiating our hotels through powerful brands and generating sustainable growth that will create long-term investment value. As of 30 June 2017, we owned 16 hotels in China, which were managed by Hyatt Hotels Corporation, Marriott International, Inc., Hilton Worldwide Holdings Inc., Inter Continental Hotels Group, AccorHotels and Atour Hotel. In July 2017, we entered into an agreement with Dalian Wanda Commercial Properties Co., Ltd. to acquire additional 74 hotels and one commercial property. See "Summary – Recent Developments – Dalian Wanda Hotel Acquisition" for more details. We believe that we have developed a substantial portfolio of luxury hotels that will deliver high-end experiences for the guests. In respect of the hotel operations, we aim to successfully integrate the hotels from Dalian Wanda and strive to optimize revenues by focusing on revenue management through recognized hotel management partners. See "Risk Factors – The failure to successfully integrate the business and operations of the 74 hotels and one commercial property acquired from Dalian Wanda may adversely affect our reputation and future results." We believe that our expanded market presence, coupled with our management strategy, will help create long-term investment value for the Company.

Details of Our Property Developments

As of 30 June 2017, we had 217 project developments across different regions in China, Malaysia, Australia, Korea and the United Kingdom, 83 of which were completed and 134 of which were under development or held for future development. These property developments have an aggregate site area of 45.9 million sq.m. and a GFA of approximately 102.7 million sq.m.

These property developments are classified into three categories:

- Completed property developments, including property projects for which we have completed the construction of all their constituent buildings;
- Properties under development, including property projects with respect to which we have held our on-site commencement ceremony to start our preparatory work, such as geological survey and project and design planning, despite the fact that we may not have received the relevant construction permit; and
- Properties held for future development, including property projects we plan to develop with respect to which a more detailed development plan is not yet available.

The above classification of properties reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. In general, it takes us approximately 1.5 to 2 years to construct a building or a building complex. Depending on the size of a development and other factors, however, the entire development period may last substantially longer. We also adjust the pace of our property developments to monitor selling prices, sales volume and the level of our land reserves. As a result, we may obtain multiple sets of governmental approvals and permits, including land use rights certificates from the relevant authorities for a group of property developments that we view as a single property development for business purposes.

The table below sets forth the GFA information of our 217 projects as of 30 June 2017. Many of our property developments consist of more than one parcel of land and require multiple land use rights certificates during the course of these property developments. Where our application for the land use rights certificate in respect of a parcel of land is still pending and we have not paid the land premium in full, we do not assign any value to the land and the properties on such land for the purpose of this offering memorandum. Our GFA information in this offering memorandum is based on our internal records. Information about our site area in this offering memorandum is based on our land use rights certificates or, if land use rights certificates are not available, based on our land grant contracts or land use rights transfer agreements.

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
1	Guangzhou R&F Garden	8,610	22,188	22,188	19,000	19,000	-	-	-	-	100%
2	Guangzhou R&F Villa	14,145	48,361	48,361	42,000	42,000	-	-	-	-	100%
3	Guangzhou R&F Tianxing building	2,132	18,600	18,600	10,000	10,000	-	-	-	-	100%
4	Guangzhou Tangxia project	2,780	7,700	7,700	6,000	6,000	-	-	-	-	100%
5	Guangzhou R&F Court	26,958	101,796	101,796	85,000	85,000	-	-	-	-	100%
6	Guangzhou R&F Square West.	75,179	505,693	505,693	416,000	394,358	-	-	-	-	100%
7	Guangzhou R&F Square North	7,478	38,406	38,406	31,073	31,073	-	-	-	-	100%
8	Guangzhou R&F Tianli Court.	23,929	94,671	94,671	84,000	84,000	-	-	-	-	100%
9	Guangzhou R&F Fortune Garden	12,673	99,342	99,342	52,000	43,843	-	-	-	-	100%
10	Guangzhou R&F King's Court	6,926	48,553	48,553	39,000	38,036	-	-	-	-	100%
11	Guangzhou R&F Sunny Sky Court	66,612	234,470	234,470	211,000	210,781	-	-	-	-	100%
12	Guangzhou R&F American Dream Island	51,146	156,721	156,721	132,000	131,775	-	-	-	-	100%
13	Guangzhou R&F Green River Garden.	24,908	87,123	87,123	74,000	71,739	-	-	-	-	100%
14	Guangzhou R&F Artist Garden	35,340	152,407	152,407	132,000	131,033	-	-	-	-	100%
15	Guangzhou R&F Aristocratic House Phase I	30,247	179,366	179,366	146,000	145,830	-	-	-	-	100%
16	Guangzhou R&F Tyoon Place.	19,223	94,483	94,483	82,000	81,964	-	-	-	-	100%
17	Guangzhou R&F Eastern Dynasty.	21,241	182,220	182,220	155,000	154,603	-	-	-	-	100%
18	Guangzhou R&F Modern Plaza	73,872	256,245	256,245	190,000	153,668	-	-	-	-	100%
19	Guangzhou R&F Science Center	6,072	60,428	60,428	42,000	38,976	-	-	-	-	100%
20	Guangzhou R&F Aristocratic House Phase 2	8,639	88,343	88,343	77,000	75,123	-	-	-	-	100%
21	Guangzhou R&F West Garden	38,213	185,207	185,207	185,207	183,604	-	-	-	-	100%
22	Guangzhou R&F Peach Garden I	117,027	427,794	427,794	427,794	426,673	-	-	-	-	85%
23	Guangzhou R&F Cairnhill Garden	3,669	26,456	26,456	23,000	22,902	-	-	-	-	100%
24	Guangzhou R&F Oasis Court	4,010	26,802	26,802	24,000	23,886	-	-	-	-	100%
25	Guangzhou R&F Edinburgh International Apartment	5,856	52,103	52,103	39,000	37,692	-	-	-	-	100%
26	Guangzhou R&F Ying Long Plaza	8,985	114,256	114,256	90,000	84,766	-	-	-	-	100%
27	Guangzhou R&F Peninsula Garden	135,536	560,184	560,184	560,184	551,927	-	-	-	-	100%
28	Guangzhou R&F Tianhe Prosperous Place	21,149	129,764	129,764	107,000	102,654	-	-	-	-	100%
29	Guangzhou R&F Yingli Building	9,082	93,567	93,567	63,000	57,375	-	-	-	-	100%
30	Guangzhou R&F Center.	8,117	162,605	162,605	121,000	-	-	-	-	-	100%
31	Guangzhou R&F Shengyue Court.	14,478	109,587	109,587	109,000	107,819	-	-	-	-	100%
32	Guangzhou R&F Grand Hyatt Hotel and office	10,291	114,498	114,498	78,000	30,113	-	-	-	-	100%
33	Guangzhou R&F Ritz-Carlton Hotel	6,895	104,322	104,322	76,000	-	-	-	-	-	100%
34	Guangzhou R&F Modern Plaza 2	15,634	36,732	36,732	32,322	32,322	-	-	-	-	100%

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
35	Guangzhou R&F Jubilee Garden	32,682	182,640	182,640	155,108	155,108	-	-	-	-	100%
36	Guangzhou R&F Yingtai Plaza	14,390	134,019	134,019	101,000	94,727	-	-	-	-	100%
37	Guangzhou R&F Square South	27,397	122,387	122,387	83,232	83,232	-	-	-	-	100%
38	Guangzhou R&F Peach Garden 2	137,468	552,167	552,167	428,000	421,975	-	-	-	-	100%
39	Guangzhou R&F Cambridge Court	36,345	190,454	190,454	190,000	186,880	-	-	-	-	100%
40	Guangzhou Yingfeng Plaza	8,328	83,138	83,138	71,000	65,530	-	-	-	-	100%
41	Guangzhou Golden Jubilee Garden	13,352	164,663	164,663	125,177	125,177	-	-	-	-	100%
42	Guangzhou Yingxin Plaza	7,880	121,499	121,499	94,241	94,241	-	-	-	-	100%
43	Guangzhou R&F City	227,429	569,000	569,000	475,000	463,979	-	-	-	-	100%
44	Guangzhou R&F Junhu Palace	38,358	146,459	146,459	116,550	116,509	-	-	-	-	100%
45	Guangzhou R&F Garden Pearl River Park View (formerly R&F Ying Zun Plaza)	13,182	170,515	170,515	140,704	140,602	-	-	-	-	100%
46	Guangzhou R&F International Apartment (formerly R&F Ying Sheng Plaza).	11,523	107,705	107,705	83,624	83,624	-	-	-	-	100%
47	Guangzhou R&F Ying Kai Plaza (including Park Hyatt Hotel)	7,944	178,170	178,170	145,513	111,439	-	-	-	-	100%
48	Guangzhou R&F Tangning Garden	71,554	137,173	137,173	94,774	94,287	-	-	-	-	100%
49	Guangzhou R&F Ying Tong Plaza (B1-3)	7,008	120,088	120,088	91,495	89,667	-	-	-	-	100%
50	Guangzhou R&F Tianxi Garden.	19,246	95,513	95,513	65,798	65,798	-	-	-	-	100%
51	Guangzhou R&F Haizhu City (formerly Tianyu Center)	18,816	137,216	137,216	101,992	53,803	-	-	-	-	100%
52	Guangzhou R&F Ying Yao Plaza	7,918	159,926	159,926	118,614	111,909	-	-	-	-	100%
53	Guangzhou R&F Spring Village.	808,018	745,844	745,844	534,738	512,287	-	-	-	-	100%
54	Guangzhou R&F Nansha Tangning (Jinsha street project)	99,641	274,061	274,061	191,996	130,156	-	-	-	-	100%
55	Guangzhou R&F Dongshan Xintiandi	44,288	375,077	375,077	250,386	242,586	-	-	-	-	100%
56	Guangzhou R&F Jingang City (including Jingu Industrial Park and Holiday Inn Guangzhou Airport Zone)	1,119,211	1,935,179	1,380,457	1,380,457	891,336	297,393	297,393	-	257,329	100%
57	Guangzhou Lieda Project (including Conrad Hotel) . .	114,176	370,150	370,150	352,579	283,377	-	-	-	-	33%
58	Guangzhou R&F Jinyu Garden (Jinshazhou Project) .	101,355	64,181	27,621	22,175	6,037	36,560	34,042	33,894	-	100%
59	Guangzhou Huadu Huawei Co. Project	142,571	187,299	-	-	-	-	-	-	187,299	100%
60	Guangzhou Nansha Tianhaiwan (Senhua Project) . . .	83,222	309,212	245,875	174,104	171,209	63,337	53,894	12,475	-	50%
61	Guangzhou Peninsula No.1 (Xingangdong Project) . .	16,235	32,926	-	-	-	32,926	18,917	-	-	100%
62	Guangzhou R&F Vanke Yunqi (Chebeibei Project) . .	13,200	50,056	-	-	-	50,056	35,049	35,049	0	75%

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
63	Guangzhou Baogang Road Project	4,031	43,400	—	—	—	—	—	—	43,400	100%
64	Guangzhou Guangfa Securities Project	6,463	156,510	—	—	—	156,509	106,953	—	1	40%
65	Guangzhou R&F Yuexi (Bigangcun Project)	36,579	186,813	38,359	34,846	33,761	148,454	103,641	90,758	—	100%
66	R&F Global Merchandise City (Huadu Shiling Project)	198,668	617,683	—	—	—	540,231	346,136	—	77,452	80%
67	Guangzhou Zhongshanliu Road Project	4,725	29,000	—	—	—	—	—	—	29,000	100%
68	Guangzhou Tongfu Road Project	6,171	29,000	—	—	—	—	—	—	29,000	100%
69	Shenzhen R&F Xintiandi (Xialilang Project)	35,266	192,919	—	—	—	86,825	34,418	—	106,094	65%
70	Shenzhen Bainikeng Project.	97,211	534,662	—	—	—	—	—	—	534,662	65%
71	Foshan R&F Plaza (Renmin Bridge Project)	51,304	346,242	296,921	223,588	205,208	49,321	36,769	33,862	—	100%
72	Foshan R&F Jiangwan Prosperous Palace (Jiujiang Baobang Project)	18,648	85,876	—	—	—	85,876	70,002	—	—	100%
73	Foshan R&F International Finance Corporate	57,108	399,241	—	—	—	399,241	293,179	53,389	—	75%
74	Zhuhai R&F Center (Hengqin Project)	11,466	134,621	—	—	—	134,621	98,572	87,228	—	100%
75	Zhuhai R&F Youpai Plaza (Baoshui District Caishi Project)	51,530	201,783	—	—	—	185,824	130,694	—	15,959	67%
76	Zhuhai R&F Xintiandi (Xiangzhou Hengxin Industry City Project)	16,813	234,746	—	—	—	—	—	—	234,746	68%
77	Huizhou R&F Ligang Center (including Renaissance Hotel).	47,936	294,673	294,673	294,673	294,673	—	—	—	—	100%
78	Huizhou R&F Hot Spring Valley (including Hilton Huizhou Longmen Resort)	1,630,681	1,711,228	955,437	778,520	504,963	151,624	106,708	13,605	604,167	100%
79	Huizhou R&F Bay Shore (including Doubletree Resort by Hilton, Huizhou R&F Bayshore)	1,318,673	2,098,687	411,837	374,784	344,784	560,301	488,953	54,061	1,126,549	100%
80	Huizhou R&F Modern Plaza (Boluo Project)	79,167	402,201	320,363	252,057	224,948	34,334	25,303	22,233	47,504	100%
81	Huizhou R&F Huilin Hot Spring Village	698,012	211,171	110,251	89,000	1,377	—	—	—	100,920	100%
82	Huizhou Huidong County Jilong Town Project	110,505	275,126	—	—	—	—	—	—	275,126	100%
83	Shanwei Hongcaoyuan District Project	30,000	90,000	—	—	—	—	—	—	90,000	100%
84	Meizhou R&F City	830,469	2,258,447	749,962	745,588	728,388	819,313	545,151	277,134	689,172	100%
85	Jiangmen R&F Golden Jubilee Garden (Xinhui District Guzhu Project)	37,628	138,248	—	—	—	747	747	—	137,501	50%
86	Jiangmen R&F Nanhu Yipin (Xinhui District Meijiang Project)	97,692	431,436	—	—	—	—	—	—	431,436	86%
87	Hainan R&F Yingxi Valley	453,000	167,713	167,713	156,245	148,645	—	—	—	—	100%
88	Hainan R&F Bay Shore (including Marriott Hotel)	1,702,993	984,236	481,841	429,626	374,738	211,928	144,596	76,958	290,467	100%

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
89	Hainan R&F Mangrove Bay (including Doubletree Resort by Hilton Haikou-Chengmai)	4,352,042	2,579,074	552,537	509,510	432,730	300,152	288,633	236,210	1,726,385	100%
90	Hainan R&F Moon Bay Shore	277,160	97,249	69,690	62,321	25,320	27,559	17,901	—	0	100%
91	Hainan R&F International Health City (Lingao Project)	586,240	531,920	—	—	—	164,519	163,587	—	367,401	100%
92	Hainan R&F Ocean Paradise (Ocean Park)	666,667	613,300	—	—	—	171,924	171,924	—	441,376	100%
93	Xiangjiang R&F City (Xiangtan Jinhua Project)	1,325,817	3,365,770	39,110	39,110	37,503	33,228	21,463	9,168	3,293,432	100%
94	Fuzhou R&F Center (Taijiang District Project)	69,817	374,309	166,790	132,362	119,928	207,519	167,226	76,852	—	100%
95	Fuzhou R&F City (Jinshui Lake Project)	147,631	262,065	—	—	—	—	—	—	262,065	100%
96	Zhangzhou Changtai County Fenghuang Valley Project	179,667	237,860	—	—	—	—	—	—	237,860	100%
97	Putian R&F Shangyue Court	132,000	541,754	—	—	—	454,530	356,757	227,891	87,224	100%
98	Sanming R&F Tangning Garden (Meilie District Project)	42,089	157,100	—	—	—	157,100	116,660	—	—	100%
99	Longyan R&F Jianfa Shangyue Court (Rongjia Project)	28,495	143,516	—	—	—	95,598	76,700	—	47,918	30%
100	Longyan Jianfa R&F Xiyuan (Dongxiao Project)	95,925	201,442	—	—	—	—	—	—	201,442	40%
101	Nanchang R&F Golden Jubilee City (Xianghu New Town Project)	81,372	250,621	—	—	—	—	—	—	250,621	100%
102	Nanchang Huiren Avenue project	53,860	134,650	—	—	—	—	—	—	134,650	100%
103	Nanchang Honggutan Project	36,351	111,199	—	—	—	—	—	—	111,199	100%
104	Jiujiang Binjiang East Road Project	54,000	118,801	—	—	—	—	—	—	118,801	100%
105	Nanning Fuya Business Park (Wuxiang New District Project)	78,721	585,528	—	—	—	496,078	376,119	53,367	89,450	50%
106	Chongqing R&F Modern Plaza	78,404	290,694	290,694	230,000	220,873	—	—	—	—	100%
107	Chongqing R&F Ocean Plaza (including Hyatt Regency Hotel Chongqing)	39,078	299,711	299,711	255,380	249,368	—	—	—	—	100%
108	Chongqing R&F City (including Holiday Inn Chongqing University Town)	1,981,995	6,634,719	2,540,341	1,921,505	1,717,432	647,505	491,502	243,887	3,446,873	100%
109	Chongqing R&F Nanshan Mansion	79,583	30,978	—	—	—	—	—	—	30,978	100%
110	Chongqing R&F Bay Shore (Yubei Project)	173,630	453,672	76,588	51,620	42,058	70,182	47,261	—	306,902	100%
111	Chengdu Panda City Phase I (including R&F Plaza and Ritz-Carlton Hotel)	29,472	316,758	316,758	216,060	13,477	—	—	—	—	100%
112	Chengdu R&F Center (Panda City Phase II)	16,177	361,748	361,748	226,808	112,503	—	—	—	—	100%
113	Chengdu R&F Peach Garden	186,650	975,066	830,423	705,292	692,492	144,643	106,182	36,578	—	100%

		Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
114		Guiyang R&F Carter (Chengxin Road Project)	99,272	417,929	209,469	166,958	133,858	100,571	66,758	55,134	107,889	60%
115		Guiyang R&F Shangyue Court ("3535" Factory Project)	76,178	494,728	-	-	-	-	-	-	494,728	100%
116		Guiyang R&F Xintiandi (Jinyang Plaza Project)	64,379	441,395	-	-	-	-	-	-	441,395	100%
117		Shanghai R&F Peach Garden	231,983	229,952	229,952	225,685	223,326	-	-	-	-	100%
118		Shanghai R&F Bay Shore	921,333	481,330	437,035	437,035	348,111	-	-	-	-	100%
119		Shanghai Jiayuan(including Hyatt Place)	142,664	461,017	367,909	198,006	147,572	80,087	54,875	-	13,022	50%
120		Shanghai R&F Hongqiao No.10	106,318	653,237	167,893	94,233	69,270	485,344	239,745	68,500	-	100%
		Shanghai R&F Hongqiao CBD (including Ritz-Carlton and AC Hotel)	46,095	56,917	-	-	-	56,917	56,917	-	0	100%
121		Nanjing R&F City	571,864	601,614	450,853	358,412	268,945	-	-	-	150,761	100%
122		Nanjing R&F Shangyue Court	105,021	329,486	264,362	199,009	181,908	65,124	44,000	-	-	100%
123		Nanjing Lishui Project	119,560	246,707	-	-	-	-	-	-	246,707	25%
124		Chuzhou R&F Wuyi Water Town	385,387	786,774	30,555	30,006	4,965	168,680	135,024	26,698	587,539	100%
125		Fuyang Yinshang Project	77,107	231,321	-	-	-	-	-	-	231,321	100%
126		Hangzhou R&F Xixi Resident	204,302	366,619	366,619	273,785	238,778	-	-	-	-	100%
127		Hangzhou Xinxian Park	26,670	109,387	-	-	-	109,387	75,178	36,185	-	100%
128		Hangzhou R&F No.10	58,280	240,027	240,027	159,272	116,329	-	-	-	-	100%
129		Chunan Qiandao Lake Project	66,824	151,023	-	-	-	-	-	-	151,023	100%
130		Huzhou R&F City	197,762	609,275	111,486	104,919	95,494	497,789	303,850	236,043	-	100%
131		Huzhou R&F No.1 (Hudong Project)	111,384	215,736	-	-	-	155,465	107,685	-	60,272	100%
132		Ningbo R&F Cambridge Court (Ningda North Project)	101,163	365,437	-	-	-	195,427	139,704	49,399	170,010	100%
133		Ningbo Zhenhai New Town Project	65,054	123,603	-	-	-	-	-	-	123,603	100%
134		Ningbo Cicheng New District Project	118,853	294,122	-	-	-	105,882	72,305	-	188,240	100%
135		Wuxi R&F No.10	111,261	284,292	173,475	150,982	96,167	49,929	47,489	20,591	60,888	100%
136		Wuxi R&F City	235,669	619,141	189,745	167,041	144,762	312,966	231,710	184,684	116,430	100%
137		Wuxi R&F Peach Garden (Wuxi New District Project)	53,178	150,455	70,278	64,474	57,610	80,177	65,599	63,818	-	100%
138		Wuxi R&F Yunhe No.10 (Mingliya Project)	123,392	407,204	-	-	-	30,000	30,000	-	377,204	100%
139		Nantong R&F Cambridge Court (Tonglv River Project)	190,621	550,319	-	-	-	41,286	36,784	-	509,033	100%
140		Nantong R&F Peninsula Garden (Zhangzhi Hill Project)	43,507	78,312	-	-	-	-	-	-	78,312	100%
141		Wenzhou Kaifu District Binghai Garden Project	132,312	350,476	-	-	-	-	-	-	350,476	100%
142		Leqing Central District Project	120,259	276,596	-	-	-	-	-	-	276,596	100%
143		Beijing R&F City	394,431	1,520,650	1,520,650	1,226,965	1,226,965	-	-	-	-	100%
144		Beijing R&F Edinburgh Apartment	20,395	174,725	174,725	135,094	135,094	-	-	-	-	100%
145		Beijing R&F American Dream Island	87,170	264,211	264,211	251,106	240,440	-	-	-	-	100%

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
146	Beijing R&F Xinran Court/Plaza (including Express by Holiday Inn Temple of Heaven Beijing)	51,009	261,410	261,410	222,337	222,337	—	—	—	—	100%
147	Beijing R&F Festival City	341,249	945,821	945,821	906,101	906,101	—	—	—	—	100%
148	Beijing R&F Bay Shore.	226,805	150,456	150,456	150,456	150,232	—	—	—	—	100%
149	Beijing R&F Peach Garden	125,750	354,024	354,024	338,432	338,432	—	—	—	—	100%
150	Beijing R&F No.10	32,300	106,962	106,962	106,962	106,962	—	—	—	—	100%
151	Beijing R&F Shangyue Court	140,872	399,200	399,200	319,306	306,837	—	—	—	—	100%
152	Beijing R&F Shangyue Court (Yizhuang Old Donggong Project)	88,911	189,590	189,590	189,590	189,334	—	—	—	—	100%
153	Beijing R&F Danish Town	746,202	653,496	653,496	625,561	621,430	—	—	—	—	100%
154	Beijing R&F Golden Jubilee Garden	73,050	160,044	160,044	144,134	144,134	—	—	—	—	100%
155	Beijing R&F Huilan Meiju	195,800	659,319	659,319	611,036	605,020	—	—	—	—	100%
156	Beijing Tongzhou R&F Center	69,796	630,330	123,508	119,928	67,798	506,822	340,947	142,498	—	100%
157	Beijing R&F New Town	932,994	2,412,606	1,704,236	1,345,660	1,255,402	369,833	279,378	184,847	338,537	100%
158	Beijing Shunyi District Gaoli Ying Project	170,200	255,301	—	—	—	—	—	—	255,301	50%
159	Tangshan Fenghuang New Town Project	80,640	142,040	—	—	—	—	—	—	142,040	100%
160	Tangshan Gongjianfa Relocation Project	22,157	110,782	—	—	—	—	—	—	110,782	100%
161	Shijiazhuang R&F Xibo Water Town (Pingshan Project)	433,908	498,990	—	—	—	7,632	1,305	—	491,358	100%
162	Shijiazhuang R&F City (Nandou Project).	70,630	294,463	—	—	—	55,041	34,790	—	239,422	100%
163	Shijiazhuang Xiumen Project	9,805	160,000	—	—	—	—	—	—	160,000	100%
164	Qinhuangdao R&F Heyuan (Beidai River Project)	154,416	302,983	—	—	—	8,002	8,002	—	294,981	100%
165	Tianjin R&F Bay Shore.	101,355	261,658	261,658	248,601	247,867	—	—	—	—	100%
166	Tianjin R&F Center.	9,588	180,217	180,217	150,902	136,803	—	—	—	—	100%
167	Tianjin R&F Peach Garden	166,400	411,674	411,674	411,674	409,593	—	—	—	—	100%
168	Tianjin R&F City (including Marriott Hotel & R&F Plaza).	180,692	928,229	870,441	828,250	766,023	56,401	38,110	—	1,387	100%
169	Tianjin R&F Jinnen Lake.	930,932	1,849,834	1,661,947	1,392,635	1,369,221	187,887	88,210	22,662	—	100%
170	Tianjin R&F Guangdong Building	23,070	398,149	—	—	—	398,149	338,654	—	—	100%
171	Tianjin Jinnan New Town	1,289,227	3,045,280	838,084	683,971	671,371	746,218	521,938	109,602	1,460,978	25%
172	Tianjin R&F New Town (Tuanbo Lake Project)	1,781,702	2,847,033	257,707	165,846	160,391	545,559	381,835	133,209	2,043,767	100%
173	Tianjin R&F Shangyue Court	119,493	311,569	274,041	223,621	218,853	37,528	2,555	—	—	100%
174	Tianjin Liulinwai Project	46,666	37,702	—	—	—	2,934	2,934	—	—	100%
175	Yantai R&F Haiyuewan (Yuexiu Haibian Project)	100,000	197,210	—	—	—	58,506	56,107	—	34,769	100%
176	Dongying Dongshilu Project (land No.10)	74,685	97,091	—	—	—	—	—	—	138,704	100%
177	Dongying Dongliulu Project (land No.14).	91,155	113,200	—	—	—	—	—	—	97,091	100%
178	Xian R&F City (including R&F Holiday Inn Xian)	381,814	1,110,051	1,075,610	975,847	975,747	34,441	27,595	—	0	100%
179	Xian R&F Bailuwan Project	139,375	437,586	112,210	105,450	101,639	56,950	35,860	26,324	268,426	100%
180	Xian Xixian New District Airport City Project	94,490	236,225	—	—	—	—	—	—	236,225	80%

	Property development	Site area	Total GFA	Completed GFA	Completed Saleable GFA	Total Saleable GFA Sold	GFA Under Development	Saleable GFA under Development	Total Saleable GFA Presold	GFA Held for Future Development	Interest attributable to us
181	Taiyuan R&F Modern Plaza.	87,022	308,271	308,271	308,271	308,271	—	—	—	—	100%
182	Taiyuan R&F Peach Garden.	195,827	258,213	258,213	244,858	244,682	—	—	—	—	100%
183	Taiyuan R&F City (including Pullman Taiyuan R&F Hotel & R&F Plaza)	1,056,200	2,473,232	2,152,203	1,841,507	1,779,378	322,557	111,177	105,806	-1,528	100%
184	Taiyuan R&F Prosperous Palace	237,601	1,169,674	407,427	366,660	354,798	447,806	316,955	216,633	314,441	100%
185	Taiyuan R&F Xiyue Court (Wufuying Project)	54,660	102,741	102,741	79,526	68,483	—	—	—	—	90%
186	Taiyuan R&F Hill (Mengshan Project)	281,806	339,000	—	—	—	—	—	—	339,000	100%
187	Taiyuan R&F Shangyue Court	73,238	250,105	—	—	—	192,874	135,951	85,268	57,231	100%
188	Taiyuan R&F City Garden No.8 (Dunhuafang Project)	188,744	506,000	—	—	—	54,000	54,000	53,008	452,000	100%
189	Taiyuan R&F Tianxi City	327,987	1,242,881	—	—	—	123,966	122,481	121,792	1,118,915	100%
190	Taiyuan R&F Bay Shore	89,628	313,698	—	—	—	—	—	—	313,698	100%
191	Datong R&F City	708,112	2,116,492	257,871	241,704	218,294	377,133	302,628	136,834	1,481,488	100%
192	Harbin R&F Jiangwan New Town (including Ritz-Carlton)	120,574	833,223	328,690	305,662	247,740	504,533	392,617	55,212	—	100%
193	Harbin R&F City	399,198	855,396	119,019	114,183	83,434	127,439	121,116	47,870	608,938	100%
194	Shenyang R&F Royal Villa	373,406	199,475	168,289	131,955	107,215	—	—	—	31,186	100%
195	Shenyang R&F Shangyue Court.	96,553	281,456	173,910	163,940	133,881	107,546	52,824	42,115	0	100%
196	Shenyang Shenhe District Finance Center Project	29,000	293,000	—	—	—	—	—	—	293,000	100%
197	Shenyang Jinhewan (Shenbei New District Project)	373,000	560,000	—	—	—	—	—	—	560,000	100%
198	Anshan R&F Kaixuanmen	58,000	241,000	—	—	—	—	—	—	241,000	100%
199	Anshan Tiedong Yingzi City Project	510,000	1,325,000	—	—	—	—	—	—	1,325,000	100%
200	Tieling New Town Center Project.	256,000	460,000	—	—	—	—	—	—	460,000	100%
201	Tieling Lianhua Lake Project	884,000	884,000	—	—	—	—	—	—	884,000	100%
202	Dalian Xiaoyaowan Project	389,000	818,000	—	—	—	—	—	—	818,000	100%
203	Baotou R&F City.	426,911	1,525,617	400,584	368,823	316,211	434,458	354,323	126,745	690,575	100%
204	Baotou R&F Prosperous Palace (Kunqu North Minzhu Rosd Project).	48,797	121,992	—	—	—	—	—	—	121,992	100%
205	Hulhot R&F City (Baoquanzhuang Project).	72,274	269,400	—	—	—	168,241	144,047	—	101,159	100%
206	Zhengzhou Wulong New Town (Wulongkou Project)	128,858	769,525	—	—	—	561,316	408,451	159,822	208,209	45%
207	Zhuangzhou R&F Jianye Shangyue Court (Huayunkou Project)	94,710	392,183	—	—	—	392,183	255,751	—	—	45%
208	Malaysia Johor Bahru R&F Princess Cove	400,000	4,108,432	—	—	—	687,175	359,854	—	3,421,257	100%
209	Australia Melbourne R&F Kinnears Project (Footscray Project)	33,288	193,612	—	—	—	—	—	—	193,612	100%
210	Australia Melbourne Boxhill Project	1,457	27,236	—	—	—	—	—	—	27,236	100%
211	Australia R&F Brisbane No.1 (Cordelia Street Project)	4,583	91,034	—	—	—	91,034	49,602	—	—	100%
212	Australia Brisbane Kangaroo Point Project.	3,291	31,014	—	—	—	—	—	—	31,014	100%

When we have agreed with our project partners in a joint development to respectively own discrete portions of the completed project, we describe the project in this offering memorandum as it relates to our portion only and treat that portion as 100% owned by us.

In some instances, pursuant to our land grant contracts or land use rights transfer agreements, we give our transferors a portion of the eventually developed properties as a means of compensation in connection with the land transfer. Similarly, when our developments involve the resettlement of residents of such properties, we may choose to give these residents a portion of the eventually developed properties as a means of resettlement compensation. Unless otherwise indicated, for the purposes of this offering memorandum, when calculating saleable or leasable GFA, number or area of residential units, area of commercial space or office space and number or area of parking spaces, we do not include the portion of properties given in lieu of monetary compensation or resettlement compensation, as the case may be.

We include in this offering memorandum the project names which we have used to market or intend to use to market our properties. Some of the names for our property developments are pending approvals by the relevant authorities and may be subject to change.

The total saleable GFA listed in the above table includes residential units intended for sale and commercial and office space that may be sold or leased at our choice. We lease some of our properties where we believe that the economic benefits of leasing are likely to exceed that of selling. We also lease properties at flexible terms until we sell them when we expect the sale of the relevant property development will take a considerable period of time.

In general, land use rights in the PRC are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for ancillary use properties including parking spaces. The relevant authorities will not issue the formal land use rights certificate in respect of a piece of land until the construction land use approval and the land planning permit have been obtained by the developer and the developer has paid the land premium in full and completed the resettlement process. As a result, in order to adjust to the pace of development, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates were granted at different stages of development.

As of 30 June 2017, our total land bank (including investment properties) amounted to approximately 60.3 million sq.m. Our attributable land bank is approximately 55.6 million sq.m., 48.5 million sq.m. of which is saleable.

Location	Approximate Total GFA (sq.m.)	Approximate Attributable GFA (sq.m.)	Approximate Attributable Saleable GFA (sq.m.)
Development Properties			
Guangzhou	1,331,000	1,194,000	1,004,000
Shenzhen	728,000	473,000	246,000
Foshan	534,000	434,000	327,000
Zhuhai	552,000	430,000	349,000
Huizhou	2,888,000	2,888,000	2,759,000
Meizhou	1,508,000	1,508,000	1,326,000
Jiangmen	572,000	440,000	338,000
Hainan	3,034,000	3,034,000	2,969,000
Changsha and Vicinity	3,327,000	3,327,000	3,260,000
Fuzhou	470,000	470,000	429,000
Zhangzhou	238,000	238,000	238,000
Putian	542,000	542,000	422,000
Sanming	157,000	157,000	117,000
Longyan	345,000	124,000	116,000
Nanchang	497,000	497,000	448,000
Jiujiang	119,000	119,000	119,000
Nanning	586,000	293,000	217,000
Chongqing	4,502,000	4,502,000	4,321,000
Chengdu	145,000	145,000	106,000
Guiyang	1,144,000	1,061,000	803,000
Shanghai and Vicinity	560,000	523,000	277,000
Nanjing and Vicinity	463,000	278,000	183,000
Chuzhou	756,000	756,000	741,000
Fuyang	231,000	231,000	231,000
Hangzhou and Vicinity	260,000	260,000	226,000
Huzhou	714,000	714,000	520,000
Ningbo	783,000	783,000	684,000
Wuxi	1,027,000	1,027,000	868,000
Nantong	628,000	628,000	497,000
Wenzhou	627,000	627,000	627,000
Beijing and Vicinity	1,470,000	1,343,000	1,027,000
Tangshan	253,000	253,000	253,000
Shijiazhuang	953,000	953,000	872,000
Qinhuangdao	303,000	303,000	231,000
Tianjin	5,458,000	3,803,000	3,510,000
Yantai	197,000	197,000	197,000
Dongying	210,000	210,000	210,000
Xi'an	595,000	548,000	516,000
Taiyuan	3,735,000	3,735,000	3,288,000
Datong	1,859,000	1,859,000	1,809,000
Harbin	1,073,000	1,073,000	952,000
Shenyang and Vicinity	3,902,000	3,902,000	3,833,000
Dalian	818,000	818,000	818,000
Baotou	1,247,000	1,247,000	1,217,000
Huhhot	269,000	269,000	213,000
Zhengzhou	1,162,000	522,000	383,000
Johor Bahru, Malaysia	4,108,000	4,108,000	2,307,000
Melbourne, Australia	221,000	221,000	125,000
Brisbane, Australia	1,114,000	690,000	396,000
London, UK	233,000	233,000	169,000
Investment Properties	1,825,000	1,625,000	1,444,000
Total	60,273,000	55,615,000	48,538,000

Our site area information in this offering memorandum is based on our land grant contracts or land use rights transfer agreements. Our GFA information in this offering memorandum is based on our internal records. The commencement dates described in this offering memorandum refer to the dates on which we hold the on-site commencement ceremony for the project. This date may be prior or subsequent to the receipt of the relevant construction permit.

As used in this offering memorandum, the completion date of a property development refers to the completion of the entire development and is determined on the following basis:

- where the construction of all constituent buildings of the property development has been completed, the completion date of that property development is taken to be the date on which the construction is completed; and
- where the construction of all constituent buildings of the property development has not yet been completed, the completion date of that property development represents our Directors' best estimate based on our current development plans.

Investment properties

In addition to the development and sale of residential properties, we develop, manage and lease investment properties. Our portfolio of investment properties includes hotels, commercial and office properties. The table below describes details of the development of our investment properties under the three categories as at 30 June 2017:

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
<i>Completed property developments</i>							
Guangzhou							
R&F Cambridge Terrace Shopping Mall . . .	Dongguan Zhuang Road, Tianhe District	Retail	— ⁽¹⁾	42,993	2007	2009	100%
R&F West Garden Shopping Mall . . .	Huanshi Xi Road, Liwan District	Retail	— ⁽¹⁾	3,570	2001	2003	100%
R&F King's Court . . .	Xiaomei Street, Liwan District	Office	— ⁽¹⁾	9,184	1998	2000	100%
R&F Children World . .	Zhongshan Eighth Road, Liwan District	Retail	— ⁽¹⁾	16,307	2001	2003	100%
R&F Modern Plaza — Jiaxin Commerical Center	Gexin Road, Haizhu District	Retail	— ⁽¹⁾	29,000	2004	2006	100%
R&F Center	Zone J, Pearl River New Town, Tianhe District	Office	8,117	162,605	2004	2007	100%
Grand Hyatt, Guangzhou	Zone F, Pearl River New Town, Tianhe District	Hotel	10,291	114,498	2004	2008	100%
The Ritz-Carlton, Guangzhou.	Zone J, Pearl River New Town, Tianhe District	Hotel	6,895	104,322	2004	2008	100%
Holiday Inn Guangzhou Airport Zone	R&F Jingang City, Huadu District	Hotel	14,270	37,826	2004	2014	100%
R&F Haizhu City . . .	Jiangnan Xi Road and Jiangnan Avenue, Haizhu District	Retail	18,000	50,000	2009	2014	100%
Park Hyatt, Guangzhou .	Zone J, Pearl River New Town, Tianhe District	Hotel	7,942	34,766	2006	2015	100%

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
R&F Integrated Logistics Park	Guangzhou International Airport, Huadu District	Warehouse & Office	— ⁽¹⁾	499,123	2004	2015	100%
Conrad Guangzhou	Liede Village, Liede Road, Tianhe District	Hotel	— ⁽¹⁾	53,000	2007	2017	33%
Beijing							
Renaissance Beijing Capital Hotel	North of Guangqu Men Wai Street, Chaoyang District	Hotel	43,703	120,349	2004	2008	100%
Viva Beijing R&F Plaza	North of Guangqu Men Wai Street, Chaoyang District	Retail	— ⁽¹⁾	110,636	2004	2008	100%
R&F Center	North of Guangqu Men Wai Street, Chaoyang District	Office	— ⁽¹⁾	59,600	2004	2008	100%
Holiday Inn Express Temple of Heaven Beijing	No. 35 Court, Nanwei Road, Xuanwu District	Hotel	6,190	22,302	2006	2008	100%
Tianjin							
R&F Plaza	West of East Road, South of North Road Nankai District	Retail	— ⁽¹⁾	42,669	2009	2013	100%
Chongqing							
R&F Ocean Plaza (Retail).	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Retail	— ⁽¹⁾	72,675	2007	2009	100%
Hyatt Regency, Chongqing	Yanghe New Area, Guanyin Qiao Street, Jiangbei District	Hotel	16,137	46,439	2009	2012	100%
Holiday Inn Chongqing University Town.	Xiyong Unit, Saping Ba District	Hotel	30,893	67,612	2006	2016	100%
Chengdu							
R&F Plaza (former Tianhui Mall)	Shuncheng Street, Qingyang District	Retail	— ⁽¹⁾	254,626	2007	2010	100%
The Ritz-Carlton, Chengdu	Shuncheng Street, Qingyang District	Hotel	— ⁽¹⁾	57,171	2008	2013	100%
Huizhou							
Renaissance Huizhou Hotel	Yanjiang Economic Circle, Jiangbei New District	Hotel	15,000	54,321	2007	2012	100%
Intercontinental Huizhou Resort	Hot Spring Avenue, Hengli Town	Hotel	— ⁽¹⁾	52,000	2015	2009	100%
Taiyuan							
Pullman Taiyuan R&F Hotel	Jinan East Road, Xinhualing District	Hotel	10,000	43,477	2007	2015	100%
Hainan							
Doubletree Resort by Hilton, Haikou-Chengmai	Sanlin Exit, Huandao West Line High-way, Chengmai Town	Hotel	36,756	44,502	2008	2015	100%
Marriott Resort & Spa Hainan Xiangshui Bay (North).	Zone B, Xiangshuiwan, Lingshui County	Hotel	19,758	20,992	2006	2016	100%
Hainan Xiangshui Bay Atour Hotel.	Lingshui County	Hotel	6,402	10,000	2016	2017	100%
Total			<u>250,354</u>	<u>2,236,565</u>			

Investment property development	Location	Type	Site area (sq.m.)	Total GFA (sq.m.)	Actual or estimated commencement time	Actual or estimated completion time	Interest attributable to us
<i>Properties under development</i>							
Guangzhou							
R&F Global Merchandise City (Huadu Shiling Project)	Shiling Avenue, Huadu District	Commercial	198,668	612,691	2016	pending	80%
Hainan							
Marriott Resort & Spa Hainan Xiangshui Bay (South) & Yacht Club	Zone B, Xiangshuiwan, Lingshui County	Hotel	50,000	75,837	2012	2015	100%
R&F Ocean Paradise (Ocean Park)	International Tourism Island, Lingshui County	Hotel, Travel & Retail	666,667	476,818	2012	pending	100%
Tianjin							
Marriott Hotel, Tianjin	West of East Road, South of North Road, Nankai District	Hotel	23,000	57,788	2013	pending	100%
Huizhou							
Hilton Huizhou Longmen Resort	Maqiao Re Shui Village, Yongshan Town, Longmen County	Hotel	— ⁽¹⁾	55,999	2007	pending	100%
Doubletree Resort by Hilton, Huizhou R&F Bayshore	Dapu Tun, Renshan Town, Rendong County	Hotel	— ⁽¹⁾	46,718	2010	pending	100%
Shanghai							
The Ritz-Carlton, Shanghai	Shanghai Hongqiao CBD	Hotel	— ⁽¹⁾	58,574	2014	pending	100%
AC Hotels, Shanghai	Shanghai Hongqiao CBD	Hotel	— ⁽¹⁾	15,755	2014	pending	100%
Hyatt Place, Shanghai	New Jiangwan City, Yangpu District	Hotel	— ⁽¹⁾	17,243	2010	pending	50%
Harbin							
The Ritz-Carlton, Harbin	Youyi West Road, Daoli District, Harbin	Hotel	— ⁽¹⁾	67,000	2011	pending	100%
Total			<u>938,335</u>	<u>1,484,423</u>			

Note:

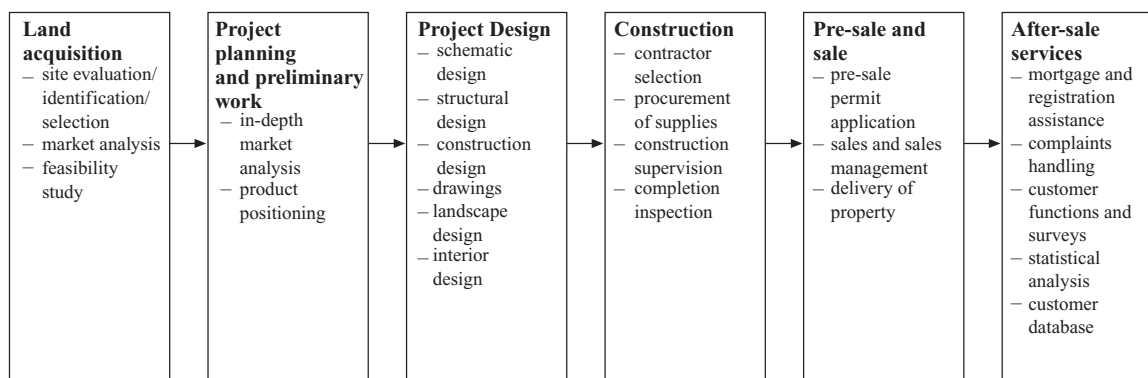
- (1) Figure unavailable as the investment property was developed as part of a larger development project on the relevant land and we do not apportion the site area of such land to the investment property. For details on the Dalian Wanda hotel acquisition, see “Summary – Recent Developments – Dalian Wanda Hotel Acquisition.”

Our Operations

Property development

We primarily engage in the development and sale of quality private residential properties to the middle to upper-middle income residents in Guangzhou, Beijing, Tianjin and other cities. According to our internal records, a significant portion of residential units were sold prior to the date of delivery of the relevant properties during the three years ended 31 December 2015 and 2016. We will continue to focus on the property markets where we have existing operations and pursue quality business opportunities in other fast growing Chinese cities.

Although each concept and project development is unique in its own way as it is designed to cater to the preferences of specific target markets, we adopt a systematic operational approach beginning with planning, design and construction to pre-sale and after-sale support. A summary of the stages and elements of our property development process is outlined below.



Site selection. We consider the site selection process to be fundamental to the success of our property development. The scope of our market research and the extent to which we conduct feasibility studies before launching a property development varies, depending on our knowledge and experience in the locality, the nature of the proposed development and the availability of information from other sources. In general, we apply the following criteria in selecting sites for development:

- (i) estimated cost, investment and financial return ratios;
- (ii) consumer demand for properties in that area;
- (iii) amenities close to the site (such as natural parks, greenery, schools, rivers and commercial facilities);
- (iv) existing infrastructure;
- (v) government development plans for the relevant site and the neighbouring area; and
- (vi) competition from other developments in the locality.

In line with our prudent financial practices, we determine the maximum offer price for a parcel of land based on our cost estimates and target returns before bidding for or negotiating the purchase of the land. Based on our current developments and growth targets, we expect to maintain sufficient land reserves to fulfil our development requirements for a period of three years on a rolling basis. As of 30 June 2017, we have approximately 15.9 million sq.m. of total

GFA under development (including joint-venture projects) and our total land bank amounted to approximately 55.6 million sq.m. We continually search for land sites which meet our selection criteria.

Land acquisition. Prior to the introduction by the PRC Government of regulations requiring that land use rights for property development be sold by tender, auction or listing-for-sale, we obtained most of our land use rights from state-owned enterprises and other developers.

The Provisions on the Assignment of State-Owned Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources provide that, from 1 July 2002, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When deciding whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history, qualifications and tender proposal of the tenderor. We believe these measures have resulted in a more transparent land grant process, which has enabled developers to compete more effectively. We have been prudent in our financial management and we endeavor to maintain sufficient cash flows for our operations in addition to land acquisition. We therefore believe that these measures will not have a material adverse effect on our land acquisition strategy and operations. Under current regulations, grantees of land use rights are generally allowed to dispose of the land use rights granted to them in the secondary market. In particular, the Guangzhou government allows non-state-controlled grantees to dispose of the land use rights granted to them through private sales, while in Beijing, all previous grantees, including state-controlled enterprises, may dispose of the land use rights granted to them through private sales. Subject to the terms of the land use right grant and relevant registration requirements, we may choose to acquire land from such third parties. The availability of privately held land will, however, remain limited and subject to uncertainties. As of the date of this offering memorandum, in terms of GFA, 66% of our current land bank has been acquired directly from the local governments and approximately 34% has been acquired through private sales in the secondary market. We expect that in the future we will obtain most of our land use rights directly from local land bureaus through tender, auction or listing-for-sale.

On 5 June 2003, the PBOC published the Notice on Further Strengthening the Administration of Real Estate Loans (中國人民銀行關於進一步加強房地產信貸業務管理的通知). This notice prohibits commercial banks from advancing loans to fund the payments of land premiums. As a result, real estate developers may only use their own funds to pay for land premiums and real estate developers in Guangzhou may be required to make a lump sum payment for the land premium within a specified period after the acquisition. We believe our financial position and capital sufficiency will enable us to compete for more land at reasonable prices through our prudent financial management.

In September 2007, the Ministry of Land and Resources further promulgated the Provisions on the Assignment of State-Owned Construction Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進

一步加強土地出讓收支管理的通知)。This Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the “Notice”) on 8 March 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70% of the basic land price of the place where the granted land is located and the real estate developers’ bid deposit should not be less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but no later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the Ministry of Land and Resources and the MOHURD issued the Notice of the Ministry of Land and Resources and the MOHURD on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders’ borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use right; (3) where the land is idling for a period of more than one year due to the enterprises’ reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on 21 September 2010, the grant of two or more bundled parcels of lands or uncleared lands (毛地) is prohibited.

According to the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知) promulgated by the Ministry of Land and Resources and the MOHURD on 19 July 2012, the grant of land shall not exceed the upper limit of prescribed area limit and the plot ratio of the land shall not be less than one. For a more detailed description of the PRC rules and regulations in relation to land acquisition, see the section entitled “Regulation — The Land System of the PRC — Grant”.

Financing of our property developments. We have three main sources of funding for our property developments: internal resources, bank loans and proceeds from pre-sales. Our financing methods vary from project to project. Nevertheless, in order to reduce the level of external funding, our policy is to finance our property developments with internal resources to the extent practicable and pre-sell the development as soon as we meet the regulatory requirements for pre-sale and market conditions allow.

When we obtain bank loans to fund our property developments, the banks will typically require guarantees from us, our affiliates or third parties and/or mortgages over our assets. As of 30 June 2017, our outstanding bank borrowings amounted to CNY51,579.7 million (US\$7,608.4 million), of which CNY46,574.6 million (US\$6,870.1 million) were secured by mortgages on our assets and pledged shares and CNY6,045.1 million (US\$891.7 million) were supported by guarantees from us or certain of our subsidiaries.

Project design and interior design work. Guangzhou Residential Architecture, our wholly owned subsidiary, undertakes most of the project design and interior design work for our property developments, including architectural, engineering and interior design. The design institute has the expertise and experience to cover every design stage of a property development, such as concept design, schematic design, design development and detailed drawings. As of 30 June 2017, we have a dedicated team of more than 1,101 designers and engineers, which comprises architects, planning experts, landscaping specialists, interior designers as well as structural, mechanical, electrical and plumbing engineers. In determining the design of a particular property development, the designers and engineers will consider the targeted market segment, the size and surrounding environment of the site, the type of development, and the GFA to site area ratio (commonly known as the plot ratio) determined by the relevant government authorities.

By performing most of our project design and interior design work in-house, we are able to effectively control costs and ensure the quality of our property developments. However, we remain flexible with respect to outsourcing. When we do not have adequate experience or resources in dealing with some types of developments, such as our hotel projects in Pearl River New Town in Guangzhou, we outsource our project design and interior design work in whole or in part to reputable PRC and international architectural and interior design firms through a tender process or private negotiations. Sometimes government agencies, when approving a particular project, may also require multiple design proposals in light of government development plans. In these circumstances, we also invite bids from outside bidders for our design work.

We have procedures in place to ensure the quality of our project design and interior design work. When our own design institute performs the design work, the design products, including detailed design drawings, are subject to scrutiny by different members of our design team. Those designers responsible for the design products participate in our evaluation but will participate

only to discuss and implement improvements. With respect to outsourced design work, our design institute, together with our engineering department, is responsible for evaluating and proposing improvements to the design product. Our design institute and engineering department constantly monitor the progress and quality of the design work to ensure that it meets our development requirements and is in compliance with relevant regulations.

Construction work. All of our construction work is outsourced to qualified construction companies. Pursuant to the Tender Law of the People's Republic of China (中華人民共和國招標投標法), effective 1 January 2000, and its implementing regulations, we are required to select construction companies through a tender process for each construction project where the estimated total investment for the project would exceed CNY30 million or where the estimated sum payable under a single property development related contract would exceed CNY2 million. We select most of our construction contractors through this tender process as most of our property developments fall within the above category. Under PRC tender laws and regulations, during the tender process, the minimum tendering prices are determined in accordance with the construction pricing criteria prescribed by provincial or municipal construction authorities and the quality standards for the construction of the main structure of a building are required to satisfy criteria prescribed by the PRC Government. The Tender Law provides for two types of tender process, namely, public tender and tender by invitation. For construction projects that involve state-owned assets, developers are required to use a public tender process. However, as a private developer, following receipt of an approval from the local authority we are allowed to organise the tender by inviting no fewer than three qualified construction companies to submit bids for the construction of a project. A tender assessment committee, no less than two-thirds of which must be made up of government-certified experts, will review the bids and select the construction company based on criteria pre-set by the committee on a case-by-case basis. We are allowed to select up to one-third of the committee members, but for most of our property developments we have selected all the committee members at random from the pool of government-certified experts to take advantage of their expertise. According to the Panel of Experts and the Management of the Experts Database Provisional Measure (評標專家和評標專家庫管理暫行辦法):

- the expert database, which must consist of at least 500 experts, is set up by the PRC provincial governments or tender agent organizations in accordance with the Tender Law;
- the relevant PRC provincial government or tender agent organisation supervises the panel of experts and the expert database;
- the experts in the expert database are required to competently, impartially, honestly and sincerely perform their duties. They are not allowed to initiate contact with the tenderer in private or receive bribery, or benefit in any kind;
- the experts are included in the expert database by way of individual application or recommendation. The experts must be individually assessed by the relevant PRC provincial government or tender agent organisation before they are selected for the expert database and their inclusion in the database is subject to annual review; and
- an expert will receive a warning from the relevant PRC provincial government if he or she breaches his or her duties and is subject to removal from the expert database if the breach is considered serious.

Due to the size of the expert database, there may be occasions that the experts randomly selected from the expert database are related to the developer organising the tender. In practice, however, experts who may not be considered independent of the developer would be excluded from the pool of experts from which the members of the tender assessment committee are selected.

Since the promulgation of the Tender Law, we have selected our construction contractors through the tender by invitation process for most of our property developments. We intend to continue this practice for our future developments.

We enter into construction contracts with construction companies selected from the bidding process based on the terms of the tender documents. The construction contracts contain warranties from the construction companies in respect of quality and timely completion of the construction. We require construction companies to comply with PRC laws and regulations on quality of construction products as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily on the basis of the estimated labour and material costs and fitting requirements and usually are computed on a per sq.m. basis. In the event of delay in construction or unsatisfactory quality of workmanship, we may withhold construction payments or require the construction companies to pay a penalty or provide other remedies under PRC law and our contracts to recover any loss. We have not had any major disputes with any of our construction contractors in 2014, 2015 and 2016. Please refer to the section entitled “Business — Legal Proceedings” for more information.

Fitting-out and landscape gardening are performed by independent contractors in accordance with pre-approved design plans. We select our fitting-out contractors and landscaping contractors primarily through an internally organised tender process. Our tender department is responsible for preparing the invitation documents, formulating the tender procedures and inviting candidates to bid for the fitting-out and landscaping work. We have an internal policy that we select our fitting-out or landscaping contractor through a tender process for any fitting-out or landscaping contract that has a contract sum over CNY300,000. In such a tender process, our tender department will invite at least three fitting-out or landscaping companies, as the case may be, to bid for the fitting-out or landscaping work. The tender process generally includes the following steps:

- prepare tender documents;
- announce pre-qualification selection;
- issue invitation documents;
- accept bids from candidates;
- assess the bids, including the proposed design plans;
- notify the winner; and
- sign the contract.

Quality control. We place a strong emphasis on quality control to ensure that the quality of our products and services complies with relevant regulations and meets market standards. We have quality control procedures in place in our different functional departments as well as in each construction supervisory company.

We engage construction supervisory companies to supervise the construction of our property developments pursuant to relevant PRC regulations. These construction supervisory companies are qualified entities specialised in construction supervision. The construction supervisory company engaged for a property development oversees the progress and quality of the construction work from beginning to end. Under our construction supervisory contracts, construction supervisory companies are empowered to inspect, advise and request rectification of any non-compliance, as well as to order suspension of construction in specific circumstances.

We have established internal guidelines and we strictly enforce them to ensure control over documentation, record-keeping, internal audit, service standards, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, monitoring and surveillance, information exchange and data analysis.

Pre-sale. Under the PRC Law of the Administration of Urban Real Estate (城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), we

- must meet the following conditions before the pre-sale of a particular property can commence:
- the land premium must have been paid in full and the relevant land use rights certificate been obtained;
- the construction planning permit and the construction permit must have been obtained;
- the funds earmarked for the development of a property development must not be less than 25% of the total amount to be invested in the project and the progress and the expected completion date of the construction work must have been confirmed; and
- the pre-sale permit must have been issued.

The Guangdong provincial government requires that the following conditions must be satisfied before it issues the pre-sale permit for a property development:

- the basic foundation work and structural construction must have been completed in respect of properties of seven or fewer stories; or
- at least two-thirds of the main structural construction must have been completed in respect of properties of more than seven stories.

Sales and marketing. Our internal sales and marketing department is responsible for managing our sales and marketing functions. As of 30 June 2017, our sales and marketing team comprised approximately 2,000 employees, all of whom receive regular training from time to time. Our sales managers and our marketing managers cooperate closely to determine appropriate advertising and sales plans for a particular property development. They also work together to plan and organise efficient and orderly on-site sales procedures, conduct market research, design sales and pricing strategies, arrange promotional activities and collect customer data and comments. They also prepare feasibility studies based on market analysis.

As part of our sales and marketing strategy, we advertise in newspapers, magazines, on television, radio and outdoor advertising boards. We also utilise short messaging services, or SMS, and participate in real estate exhibitions to promote our products. We offer discounted sales on selected products during major holidays in China, such as the Labour Day holiday in

May and the National Day holiday in October. We provide our existing customers with a quarterly magazine and organise customer events and product exhibitions to improve customer relations and enhance their confidence in our products. In addition, we offer referral rewards to existing customers, such as waiver of property management fees for up to one year. We believe that these measures encourage referrals by our existing customers. According to our estimates, a substantial number of the purchasers of our properties were referred by previous purchasers of our property developments.

We provide shuttle services to potential purchasers who are interested in visiting our property developments. The shuttle buses pick up potential purchasers at designated points and take them to selected property developments, mainly large residential property developments for sale. We also set up on-site sales centres for each of our property developments.

In 2014, 2015 and 2016 and the first half of 2017, our sales and marketing efforts have successfully attracted customers from the middle to upper-middle income class, including white collar employees, small business owners and middle to senior management in enterprises. We will continue to target the middle to upper-middle income residents in Guangzhou, Beijing and other Chinese cities in which we currently operate or into which we expect to expand our operations.

Payment and end-user financing. Purchasers may pay for our properties by way of a lump sum payment or payment in installments. If a purchaser chooses to pay by installments, the last installment must generally be made no later than the time of delivery of the property.

We make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. In most cases, guarantees for mortgages on residential properties are discharged when we submit the individual property ownership certificates and certificates of other interests in the property to the mortgagee bank. In such cases, the guarantee periods may last for up to 36 months, taking into account the approximate one year needed to complete construction and the additional two years for the application for and issuance of the individual property ownership certificates. Guarantees provided for mortgages on some of our commercial and residential properties, however, will not be discharged until the relevant mortgage loan has been paid off. In general, the maximum mortgage terms in respect of residential properties and commercial properties are 30 years and 10 years, respectively, after the mortgage loans have been drawn down. The existing full-term guarantees are expected to be discharged upon the full repayment of the underlying loans. If a purchaser defaults on a mortgage, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any remaining amount outstanding from us.

When a purchaser defaults on a mortgage, we may decide to repurchase the underlying property by paying off the mortgage loan if we believe we can re-sell the property at a profit. In other cases, the mortgagee bank would auction the underlying property and recover any amount outstanding from us if the proceeds from the foreclosure are not sufficient to satisfy the delinquent loan. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. There have not been defaults where we have been called upon to honour our guarantees in the past three years and six months. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our outstanding guarantees over the mortgage loans of our customers amounted to CNY18,438.1 million, CNY23,530.0 million, CNY33,406.8 million (US\$4,927.8 million) and CNY33,972.5 million (US\$5,011.2 million), respectively. For more information relating to the risks associated with our guarantees provided to support our customers, please refer to the section entitled “Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our customers and

consequently are liable to the mortgagee banks if our customers default on their mortgage payments” and “— Risks Relating to the Real Estate Industry in Guangzhou, Beijing and Other Cities of the PRC — The terms on which mortgages are available, if at all, may affect our sales” in this offering memorandum.

Delivery of property. We endeavour to deliver quality products to our customers on a timely basis. We closely monitor the progress of construction of our property developments as well as conduct property inspections to ensure timely delivery. Our pre-sale or sale contracts provide for the time frame for delivery. Once a property development has passed the requisite government inspections and is therefore ready for delivery, our customer service staff will notify our customers and hand over keys and possession to the properties.

After-sale services. We provide after-sale services to our customers through different functional departments. Our finance department works with our sales and marketing department to assist our customers in arranging for and providing information relating to financing, including information on potential mortgage banks and the mortgage terms they offer. Our development centre assists our customers with various title registration procedures relating to the property. Our customer services department organises various customer functions and coordinates with the property management companies to handle customer complaints.

We conduct customer satisfaction surveys on a regular basis and have set up a telephone hotline and an online forum that provide channels of communication between us and our customers. We believe that our aftersale services inspire customer confidence and are effective in enhancing our brand name and in encouraging customers to purchase, or recommend others to purchase, properties we have developed.

Hotel development

We believe the demand for luxury hotels in China will increase as the PRC economy continues to grow. We entered the hotel development business in June 2004, when we began developing two luxury hotels at Pearl River New Town in Guangzhou. The hotels operated under the Ritz-Carlton and Grand Hyatt brands, respectively. As of the date of this offering memorandum, our portfolio of hotels includes 16 hotels consisting of Renaissance Beijing Capital Hotel, Holiday Inn Express Temple of Heaven Beijing, The Ritz-Carlton Guangzhou, Grand Hyatt Guangzhou, Holiday Inn Guangzhou Airport Zone, Park Hyatt, Guangzhou, Conrad, Guangzhou, Renaissance Huizhou Hotel, Intercontinental Huizhou Resort, Hyatt Regency Chongqing, Holiday Inn Chongqing University Town, The Ritz-Carlton Chengdu, Pullman Taiyuan R&F Hotel, Marriot Resort & Spa Hainan Xiangshui Bay, DoubleTree Resort by Hilton Haikou-Chengmai and Hainan Xiangshui Bay Atour Hotel. In July 2017, we have entered into agreement with Dalian Wanda Commercial Properties Co., Ltd. (as amended and supplemental) to acquire 74 hotels and one commercial property. See “Summary – Recent Developments – Dalian Wanda Hotel Acquisition” for more details.

Property management

We engage our own or third party property management companies to manage properties developed by us on behalf of our customers. Services provided by the property management companies include security, equipment maintenance and repairs and organising social functions. After the owner’s association of the relevant property is established, the residents may appoint a new property manager following procedures contained in the local regulations.

We aim to provide superior property management services to our customers. Most of our projects are managed by our wholly own property management subsidiaries. The major property management subsidiary “Guangzhou Tianli Properties Development” is a Type I property management company, the highest awarded by PRC regulatory authorities to property management companies.

Property leasing and agency services

We lease out properties when we believe that the economic benefits of leasing are likely to exceed that of selling. Sometimes, we lease out properties before we sell them if we expect the sale of the property development will take a considerable period of time. Most of our leased properties are commercial or office spaces, some including parking spaces.

We lease out our properties through R&F Meihao, our wholly owned subsidiary. R&F Meihao also provides rental agency services and sales agency services in the secondary market in Guangzhou.

Properties Used by Us


We currently use office spaces at R&F Center as our headquarters in Pearl River New Town, Guangzhou’s new central business district.

As of 30 June 2017, we rented, through various subsidiaries, 44 premises from independent third parties with a total area of approximately 18,046 sq.m.

Competition

We believe that the property markets in Guangzhou and Beijing are highly fragmented. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including several leading developers from Hong Kong. Some of our competitors target different segments of the PRC real estate market; some engage in other activities in addition to real estate development; and some are focused only regionally or nationally. We believe our closest major competitors include Agile, Shimao and Longfor Properties Co. However, we may not compete directly with them due to different focuses. In addition, our competitors may, however, have more experience and resources than us. For more information on competition, please refer to the section entitled “Risk Factors — Risks Relating to the Real Estate Industry in China — Increasing competition in the property industry in China, particularly in Guangzhou and other cities where we operate may adversely affect our business and financial condition”.

Intellectual Property Rights

We have registered the trademark and service mark of “富力”, “富力”, “FULI” and “” with the PRC Trademark Office (中華人民共和國工商行政管理總局商標局) under various categories relating to property development, management, construction, construction supervision, maintenance, design, architecture, landscaping and gardening, waste disposal, building materials, property leasing, agency and brokering and many other categories.

We are also the owner of the domain names of “rfchina.com”.

Employees

As of 30 June 2017, we had 23,076 full time employees. The following table provides a breakdown of our employees by business segment as of 30 June 2017:

Property management.	7,982
Construction	5,182
Property development	6,365
Clubhouse employees	944
Design	661
Sales and leasing of secondhand housing.	599
Engineering.	440
Football club employees	283
Decoration	176
Others	444
Total	<u>23,076</u>

Insurance

Real estate developers in China are not required to maintain insurance coverage in respect of their property development operations. We generally do not maintain insurance coverage on our properties developed for sale, neither do we require the construction companies we engage to maintain insurance coverage on properties under construction. In addition, we do not carry insurance against personal injuries that may occur during the construction of our properties except that we purchase accident insurance against personal injuries that may occur to construction workers on behalf of our construction contractors in Beijing. The construction companies, however, are responsible for the quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC law. To ensure construction quality and safety, we require our construction contractors to strictly comply with relevant PRC laws and regulations in respect of construction quality and safety as well as our own standards and specifications. We also engage qualified supervision companies to oversee the construction process. Under PRC law, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he is not at fault. Since we have taken the above positive steps to prevent construction accidents and personal injuries, the Directors believe that we will have sufficient evidence to prove that we are not at fault as the property owner in the event that a personal injury claim is brought against us. In addition, according to our construction contracts, any liability that may arise from tortious act committed on work sites will be borne by the construction companies.

We believe our insurance policy is in line with the industry practice in the PRC. However, there are risks that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See the section entitled “Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance” for details.

Environmental and Safety Matters

We are subject to PRC national and local environmental laws and regulations governing air pollution, noise emissions, water and waste discharge and other environmental matters. See “Regulations — The Land System of the PRC — Environmental Protection”. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental

impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers. The inspection report is presented together with other specified documents to the local construction administration authorities for their record.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See “Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases”.

Legal Proceedings

We are involved in various legal proceedings arising out of the ordinary course of our business, including claims relating to our guarantees for mortgages provided to our purchasers and contract disputes with our purchasers and suppliers. We do not anticipate significant legal costs or legal fees will be required to defend ourselves in these proceedings.

As of the date of this offering memorandum, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See “Risk Factors — Risks Relating to Our Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result”.

BUSINESS OF R&F HK AND THE ISSUER

R&F HK, a company incorporated under the laws of Hong Kong, is a wholly owned subsidiary of the Company. R&F HK is an investment holding company with no substantial business operation of its own. It principally holds equity interests in subsidiaries engaged in the property development business. R&F HK also holds interests, through its subsidiaries, in certain hotels and investment properties.

R&F HK holds 75% interest in Guangzhou R&F Center, Grand Hyatt Hotel, Ritz-Carton Hotel and Park Hyatt Hotel in Guangzhou. In addition, R&F HK currently holds 100% interest in 16 property development projects consisting of Shenyang R&F Royal Villa, Hangzhou R&F Xixi Resident, Hangzhou R&F No. 10, Wuxi R&F city, Nantong R&F Cambridge Court Project, Zhangzhou Fenghuang Valley Project, Yantai R&F Bay Shore, Chongqing R&F Bay Shore (Yubei Project), Australia R&F Brisbane No.1, Australia Brisbane Kangaroo Point Project, Australia Brisbane Westend Project, Australia Melbourne R&F Kinnears Project, Australia Melbourne Boxhill Project, U.K. London Queen Square Project, U.K. London Vauxhall Project and Malaysia Johor Bahru R&F Princess Cove. R&F HK also holds partial interest in a number of other property development projects. As of 31 December 2014, 2015 and 2016 and 30 June 2017, R&F HK had total assets of CNY26,455.7 million, CNY28,326.0 million, CNY42,815.6 million (US\$6,315.6 million) and CNY42,796.1 million (US\$6,312.8 million), respectively, and total equity of CNY3,362.2 million, CNY1,393.5 million, CNY22.7 million (US\$3.3 million) and CNY277.1 million (US\$40.9 million), respectively.

The Issuer, Easy Tactic Limited (怡略有限公司), currently has no business or operations other than the issuance of the 2022 Notes and the Notes and other activities in connection therewith. The Issuer is a wholly owned subsidiary of R&F HK.

REGULATIONS

The Land System of the PRC

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas in a city or town is state-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has the right to repossess land in accordance with the law if required for the benefit of the public.

Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

National Legislation

On 12 April 1988, the Constitution of the PRC (中華人民共和國憲法) (the “Constitution”) was amended by the National People’s Congress (全國人民代表大會) to allow for the transfer of land use rights for value. On 29 December 1988, the Land Administration Law of the PRC (中華人民共和國土地管理法) was amended to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-Owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the “Urban Land Regulations”) promulgated in 19 May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium.

Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

<u>Use of Land</u>	<u>Maximum Period (in years)</u>
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The National People's Congress adopted the PRC Property Rights Law (中華人民共和國物權法) on 16 March 2007, which became effective on 1 October 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in real property in some areas, and implement strict protection of cultivated land, the General Office of the State Council (國務院辦公廳) issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) on 29 April 2004.

The notice addresses issues including, (i) continuing the rectification of the land market by cooperation between the PRC Ministry of Land and Resources (authorities on problems existing in the grant of state-owned land use right by way of tender, auction and invitation for bidding; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for resuming and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On 26 March 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilising House Prices (關於切實穩定住房價格的通知) to restrain the excessive growth of house prices and promote the sound development of the property market. The notice provided that housing prices should be stabilised and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction issued the Opinions on Stabilising Property Price (關於做好穩定住房價格工作的意見) on 30 April 2005. The opinion stated, amongst the others, that: (i) the local government should focus on increasing the supply of low to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the property market, business taxes would be levied from 1 June 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold, where such units have not obtained the relevant Real Estate Ownership Certificates.

On 24 May 2006, the General Office of the State Council further issued a Notice on the Opinions on Adjusting the Housing Supply Structure and Stabilising the Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and

construction area also must consists of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. On 31 August 2006, the State Council published the Notice by the State Council on Strengthening the Regulation and Control of the Land (關於加強土地調控有關問題的通知), which regulates the management of land in the PRC and also the protection of cultivated land. According to the notice, land designated for industrial purposes shall be granted by way of tender, auction and invitation for bidding, but in any event shall not be sold below the reserve price.

On 30 May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration (當前進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

On 30 September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Urban Low-income Families and Further Strengthening Macro-control of Land Supply (關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知), pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at municipality or county level for residential property development for any given year must be used for developing low-to-medium-cost and small-to-medium-size units, low-cost rental properties and affordable housing.

On 3 January 2008, the State Council issued the Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知). This notice states, among other things, that (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained idle for more than two years shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) the prohibition of land supply for villa projects shall continue; (iv) the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation tax (the "LAT") on idle land; (v) in relation to the supply of residential land, planning conditions such as plot ratio limits and the number and type of units that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vi) financial institutions are required to exercise caution when approving financing for any property developer who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of their project or provide at least 25% of the total investment in the project.

In order to encourage the consumption of the ordinary residence and support the real estate developer to handle the market change, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見) on 20 December 2008. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from 20 December 2008 to 31 December 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary

residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favourable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to “low- to medium-cost” or “small- to medium-size” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

On 7 January 2010, the General Office of the State Council issued a Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知), which adopted a series of measures to strengthen and improve the regulation of the property market, stabilise market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On 8 March 2010, the Ministry of Land and Resources promulgated the Notice on Strengthening Real-estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) in order to strictly regulate the transfer of land for commercial buildings. According to this Notice, the area of a parcel of land granted for commodity residential project should be strictly restricted in accordance with the Catalogue of Restricted Use of Land promulgated on 23 May 2012 (2012 Version) (限制用地項目目錄 (2012)) and the minimum price of the land transfer shall not be less than 70% of the benchmark price of the place where the land being transferred is located, and the bidding deposit shall not be less than 20% of the minimum transfer price. After land transfer deal is closed, land transfer contract shall be executed within 10 working days therefrom. The first installment of 50% of the land transfer price shall be paid within one month of the execution of the contract and the remaining payment shall be made in time in accordance with the contract, which shall not be later than one year. A system of declaration on commencement and finish of real estate project should be established since 1 April 2010. Property developer should make written declaration to the land and resources authorities when the project commenced or finished.

On 17 April 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (堅決遏制部分城市房價過快上漲的通知) (the “17 April Notice” or the “April 2010 Notice”), which provides that where the first home purchasers (including a borrower, his or her spouse and children under 18) buy a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall not be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The 17 April Notice, further requires that in cities where property prices are overly, high with excessive price hikes and a strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or more buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one (1) year.

Three authorities, including the MOHURD, the PBOC and the CBRC, jointly released the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套房認定標準的通知) on 26 May 2010, so as to regulate recognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the notice, the number of houses owned by a family in applications for commercial housing loans for individuals shall be calculated according to number of sets of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plans to purchase a house. The notice also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in writing. The loan applicant shall provide the credit guarantee in writing to prove the actual number of houses owned by his/her family.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Improving Differentiated Housing Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which stipulates that all commercial banks shall suspend issuing housing loans to home buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contribution for more than one year. If a real estate developer has records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time, hoarding land, and other infractions, all commercial banks shall stop issuing loans or providing loan extension services to such real estate developer for its new projects.

On 2 November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loans for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.

On 4 November 2010, the State Administration of Foreign Exchange and the MOHURD jointly issued the Notice on Further Regulating the Administration of Housing Purchases by Overseas Institutions and Individuals (關於進一步規範境外機構和個人購房管理的通知), which indicates that unless otherwise provided for in laws and regulations, an overseas individual may purchase only one self-use house within the territory of China; any overseas institution which sets up a branch or representative office within the territory of China may purchase a non-residence house required for business purposes only in the city where such branch or representative office is registered.

On 26 January 2011, the General Office of the State Council issued the Notice concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知). This Notice, among others, provides that: (i) people selling residential property within five years of their purchase of such residential property will be charged business taxes on the full amount of the sale price of such houses, whether ordinary or non-ordinary; (ii) the minimum down payment for second house purchases is raised from 50% to

60%; (iii) the PRC government will forfeit the land use rights if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract; and (iv) municipalities directly under the PRC central government, municipalities with independent planning status, provincial capitals and cities with high housing prices shall limit the number of houses that local residents can buy in a specified period. In principle, local resident families that own one house and non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for a required period are permitted to purchase only one additional house (including newly-built houses and second-hand houses). Sales of properties to (a) local resident families who own two or more houses, (b) non-local resident families who own one or more houses, and (c) non-local resident families who cannot provide local tax clearance certificates or local social insurance payment certificates for a required period, shall be suspended in local administrative regions.

In order to implement the Notice concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), on 23 February 2011, the Guangzhou Municipal Government promulgated the Notice on Further Strengthening Control over the Guangzhou Property Market (關於貫徹國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知的實施意見), which provided, among other things, that (i) the minimum down payment for second house purchases using bank loans or housing reserves is raised to 60% with a minimum lending interest rate of 110% of the benchmark rate; (ii) both local families who have one house only and non-local families who do not own a house in Guangzhou and have paid social insurance or individual income tax for an accumulative 12 months over the last two years in Guangzhou, are allowed to buy one more house; and (iii) (a) local families who already have two or more houses, (b) non-local families who have one house, and (c) non-local families who fail to provide evidence of payment of social insurance or individual income tax for an accumulative 12 months over the last two years in Guangzhou, are suspended from purchasing a new house in Guangzhou. On 15 February 2011, the Beijing Municipal Government promulgated the Notice on Further Strengthening Control over Beijing Property Market (關於貫徹落實國務院辦公廳文件精神進一步加強本市房地產市場調控工作的通知), which among other things, provides that (i) a local family that owns one house in Beijing (including a family that holds an effective Beijing Certificate for Work and Residence) and (ii) a non-local family with an effective Certificate for Temporary Residence that does not own a house in Beijing and has paid social insurance or individual income tax for five consecutive years, are permitted to purchase one additional house in Beijing (including newly-built and second-hand houses). Furthermore, (i) a local family that owns two or more houses in Beijing, and (ii) a non-local family that owns one house or more in Beijing, or fails to provide both an effective Certificate for Temporary Residence and evidence of payment of social insurance or individual income tax for consecutive five years, is suspended from purchasing a new house in Beijing. In addition to Beijing, other cities, including Tianjin, Shanghai, Suzhou, Nanjing, Qingdao, Chengdu and Harbin have also announced their new purchase limit policies which are almost the same as the requirements in the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知).

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

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On 11 June 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to such Regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or invitation for bidding. Furthermore, according to the Provisions on the Regulations on Assignment of State-Owned Construction Land Use Right through Bidding, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定) effected from 1 November 2007, which repealed the Assignment of State-Owned Land Use Right Through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有土地使用權規定) effected from 1 July 2002, land use rights for properties for industrial use, commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or invitation for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of invitation for bidding, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issuance of the land use right certificate, and the land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract. According to the Law of the People's Republic of China on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), promulgated by National People's Congress on 5 July 1997 and amended on 30 August 2007, upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

On 18 November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the "Notice") on 8 March 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not be less than 70% of the basic land price of the place where the granted land is located and the real estate developers' bid deposit should not be less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but not later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the Ministry of Land and Resources and the MOHURD issued the Notice of the Ministry of Land and Resources and the MOHURD on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知), to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders' borrowing, on-lending or raised funds, and the credit certificate issued by commercial financial institutions. Where the bidders are found to have conducted any of the following illegal or irregular activities, then the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (1) committing crimes such as forgery of instruments with an aim to illegally sell the land; (2) conducting illegal activities such as illegal transfers of land use rights; (3) where the land is idling for a period of more than one year due to the enterprises' reasons; or (4) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Pursuant to the Notice on Further Strengthening the Administration and Control of Land-Use and Construction of Real Estates (關於進一步加強房地產用地和建設管理調控的通知) jointly promulgated by the Ministry of Land and Resources and the MOHURD on 21 September 2010, the grant of two or more bundled parcels of lands or uncleared lands (毛地) is prohibited.

Base on the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of Real Property Market (關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知), which was jointly promulgated by the Ministry of Land and Resources and the MOHURD and effective on 19 July 2012, all local governments shall strictly enforce the macroeconomic policy on real property market. The grant of real property land shall not exceed the upper limit of area and the grant of two or more bundled parcels of lands or uncleared lands is prohibited. The plot ratio of residential land shall not be less than one. Residential construction projects shall be commenced within one year from the land title delivery date which stipulated in the land allocation decision or land grant contract, and shall be completed within three years from the date of commencement. Inspection of land bidders' qualification shall be strictly implemented to preclude bank loans from being used to pay for the land premium. The competent authority of land and resources shall forbid the land users from participating the land bidding for a certain period if the land users: (1) fail to pay land premium in time; (2) leave the land idle; (3) reserve lands for future development or speculation; (4) commit to a construction scale beyond its actual development capacity; or (5) fail to perform land use contract.

On 6 September 2012, Ministry of Land and Resources promulgated the Notice on Strictly Carrying out Land Use Standards and Vigorously Promoting the Economical and Intensive Use of Land (國土資源部關於嚴格執行土地使用標準大力促進節約集約用地的通知), which provides, among other things, that: (i) if lands for construction are in the Catalogue of Prohibited Land Project, or fail to comply with the requirements in the Catalogue of Restricted Land Project, i.e. fail to comply with industrial project control index requirement in investment intensity, plot ratio, building coefficient, administrative office and living service area ratio and green ratio, or total area of land of engineering construction projects or area of land of one or several functional partitions exceed land quota control limit, or parcel area and plot ratio fail to meet the residential requirements, then the project shall not apply for land approval, supply and use; (ii) for commercial lands like industrial, commercial, tourism, entertainment, and commercial residential land, which must be granted by tender, auction and listing, municipal and county land and resources departments must state explicitly the control requirement and use standards for such land when formulating land grant plan and land grant documents, implement national regulations and publish the standards to the public.

According to the Provisions on the Economic and Intensive Use of Land (節約集約利用土地規定), which was promulgated by the Ministry of Land and Resources on 22 May 2014 and effective since 1 September 2014, land users and land premium for commercial lands shall be

determined by bidding. Land premium for compensable use of land shall not be less than lowest price standard stipulated by the State. Land premium shall not be reduced or relieved in any way, such as exchanging projects with land, returning fees after collecting, granting subsidies or rewards.

The MOHURD and the Ministry of Land and Resources 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) dated 1 April 2017, which provides, among others, that local government should adjust land supply on the basis of the inventory turnover cycle of the commercial residential property. If the cycle is longer than 36 months, no land shall be supplied; if the cycle lasts from 18 months to 36 months, land supply shall be reduced; if the cycle lasts from six months to 12 months, land supply shall be increased; if the cycle is shorter than six months, land supply shall be increased significantly. In addition, the circular stipulates that local authorities should adopt examination and approval procedure to insure that property developers use legitimate self-owned funds to acquire lands.

Withdrawal of Land

According to the Law of Administration of Urban Real Property (2007 revision) (中華人民共和國城市房地產管理法，2007修訂) (the “Urban Real Property Law”), where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of development set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

According to the Measures on Disposal of Idle Land (閒置土地處置辦法), which was promulgated on 28 April 1999 and amended on 22 May 2012, “idle land” refers to the state-owned construction land granted but laying idle because the state-owned construction land use right owner fails to commence development and construction within one year after the commencement date agreed or stipulated in paid-use state-owned construction land use right contract or allocation decision. The following state-owned construction land, where the construction has been suspended for one year, may be deemed as “idle land,” if:

- (i) The construction has been commenced but the constructed land area is less than 1/3 of the total construction area; or
- (ii) The contributed investment amount is less than 25% of the total investment amount.

Where that the land is found as “idle land” after investigation, relevant municipal or county land administrative authorities (the “Land Administrative Authorities”) shall issue an Idle Land Affirmation Notice and implement the disposal of idle land accordingly.

In the event that the delay of construction commencement is caused by governmental behaviour or force majeure, the disposal methods of idle land include, among others, the following:

- (i) extending the time frame for construction commencement. Supplemental agreement shall be entered into and provides a new time frame for construction commencement, completion and default liabilities. The time limit of construction commencement shall not be extended over one year from the date specified in the supplemental agreement;
- (ii) adjusting the land use and planning conditions; land grant procedure shall be re-applied and land premium shall be appraised, collected or refund according to the new land use or planning conditions;
- (iii) arranging temporary use for the idle land by the government. The time frame from temporary use shall not exceed two years after the temporary arrangement;
- (iv) entering into agreement on redeeming the land use right with compensation;
- (v) exchanging the idle land. Where the land premium has been paid, project is fully funded and the idle of land is caused by planning adjustment, the government may exchange the idle land with other state-owned construction land of same value and land use for the state-owned construction land use right owner to develop and construct. If the exchange is related to grant of land, a new land grant contract shall be executed, which specifies the land as exchange land; and
- (vi) other disposal ways stipulated by the Land Administrative Authorities base on actual situation.

Save for the above item (iv), the construction commencement date shall be calculated according to the newly agreed or stipulated time frame.

The Notice on Promoting the Economical and Intensive Use of Land (關於促進節約集約用地的通知) issued by the State Council on 3 January 2008 urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium, as well as for land left idle for more than two years, with such idle land forfeited without compensation.

Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or county level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) where the investment involves property construction, more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

According to the Property Rights Law (中華人民共和國物權法) adopted by the National People's Congress and implemented on 1 October 2007, when the term of the right to use construction land for residential (but not other) property purposes expires, it will be renewed automatically.

The State generally will not withdraw a land use right before the expiration of its term of grant and for special reasons (such as in the public interests), it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issuance of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issuance of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) (the "Real Estate Ownership Certificate") to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration Regulations (土地登記規則) (the "Registration Regulations") promulgated by the State Land Administration Bureau (國家土地管理局) on 28 December 1995 and implemented on 1 February 1996, the Land Registration Measures (土地登記辦法) promulgated by the Ministry of Land and Resources on 30 December

2007 and effective on 1 February 2008, and the Building Registration Measures (房屋登記辦法) promulgated by the MOHURD on 15 February 2008 and effective on 1 July 2008, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

On 24 November 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例), effective from 1 March 2015, which provides, among others, the following:

- The real estate authorities shall establish a uniform real estate registration book to record, among others, collective land ownership, ownership of constructions and structures, ownership of forests and woods, construction land use rights, sea use rights and mortgages; and
- The Ministry of Land and Resources shall in coordination with other related departments, establish a uniform management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform management platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county levels.

The Ministry of Land and Resources promulgated the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則), effective from 1 January 2016. The implementing rules authorize the real estate registration authority to perform site inspection following the acceptance of an application for real estate registration and set out regulations regarding information management of real estate registration.

Mortgage and Guarantee

The grant of mortgage in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法) (the “Security Law”) promulgated by the Standing Committee of the National People’s Congress on 30 June 1995, the Measures for Administration of Mortgages of Urban Real Estate promulgated by the Ministry of Construction (城市房地產抵押管理辦法) on 9 May 1997, as amended in August 2001, and Property Law (物權法) promulgated by the National People’s Congress on 16 March 2007 and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, quality, status, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage; and (v) other matters as agreed by the parties. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If

the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Resettlement

On 21 January 2011, the State Council promulgated the Regulation on Expropriation and Compensation of Houses on State-Owned Land (國有土地上房屋徵收與補償條例) (the "Expropriation and Compensation Regulation"), which replaced the Administration Rules of Demolition and Removal of Housing in Urban Areas. The Expropriation and Compensation Regulation provides that, among other things:

- (i) buildings can be expropriated under certain circumstances for public interests, and only governmental authorities can be in charge of resettlement activities; real estate developers are prohibited from being involved in demolition and relocation procedures;
- (ii) compensation shall be paid before the resettlement;
- (iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of publishing the notice of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property can apply to the real estate appraisal institution for re-appraisal; and
- (iv) neither violence nor coercion may be used to force homeowners to leave sites, nor can certain measures, such as illegally cutting water and power supplies, be used in relocation work.

The Measures of Expropriation and Evaluation of Properties on State-Owned Land (國有土地上房屋徵收評估辦法), which was promulgated and implemented on 3 June 2011, provides that, among other things:

- (i) The value of the expropriated property is the sum would have been reached by informed and willing parties in arm's length transaction, excluding factors such as lease, pledge and seizure;
- (ii) The market value of the property for exchanging the expropriated property shall be determined by evaluation. The benchmark date of evaluation of the expropriated property is the date when the property expropriation decision is posted; and

- (iii) The evaluation of expropriated property shall consider location, property use, construction structure, condition, building area, floor area, land use right and other factors that might affect the value of the property. The value of interior decoration, relocation fee for machinery equipments and materials and compensation for halting the production and business shall be determined through negotiation by relevant parties; if the parties fail to reach such an agreement, the value may be determined by evaluation conducted by a real estate evaluation institution appointed by the parties.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. A large tract development project consists of comprehensive development of an area to be suitable for industrial use, leveling of the land and construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area, or construct buildings on the land itself and sell or lease the buildings thereon.

According to the PRC Urban-rural Planning Law (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on 28 October 2007, implemented on 1 January 2008 and amended on 24 April 2015, and the Measures on the Planning of Grant of State- Owned Land Use Rights (國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on 4 December 1992 and implemented on 1 January 1993, real estate developers shall apply for the construction land planning permit from the relevant municipality or county urban-rural planning authority by submitting the contract of grant of state-owned land use rights, the approval and registration certificates after signing the contract of grant of state-owned land use rights. A construction enterprise or individual shall apply for the construction land planning permit at the relevant municipality or county urban-rural planning authority before commencing the construction of buildings, structures, roads, pipes or other construction works. According to the Measures on Permission of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD on 25 June 2014 and effective from 25 October 2014 after obtaining the construction land planning permit real estate developer shall apply for and obtain the construction land works permit at the relevant construction authority of the government above the county level, except for the construction projects with the investment below CNY 300,000 or gross floor area below 300 sq.m.. Failure to obtain the construction land works permit for any real property project as required by law will result in prohibition of commencement of the construction work.

A property project developed by a property developer shall comply with the relevant laws and other statutes, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant contract. After completion of works for a project, the property developer shall organise an acceptance examination according to the Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例) promulgated and implemented by State Council on 30 January 2000, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the MOHURD on 2 December 2013, and shall also report details of the acceptance examination according to the Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on 4 April 2000 and as amended on 19 October 2009. A property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other

building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

Establishment of a Real Estate Development Enterprise

According to the PRC Urban Real Estate Law (中華人民共和國城市房地產管理法) (the “Urban Real Estate Law”) promulgated by the Standing Committee of the National People’s Congress on 5 July 1994; implemented on 1 January 1995 and amended on 30 August 2007, the concept of real estate development enterprises refers to the enterprises that conduct the business of real estate development and management for profits. According to the Regulations on Administration of Development and Management of Urban Real Estate (城市房地產開發經營管理條例) (the “Development and Management Regulations”) promulgated by the State Council and implemented on 20 July 1998, a real estate development enterprise must fulfil the following conditions: (1) having registered capital of above CNY 1,000,000; (2) having more than four full time technical staff with the qualification certificates of real estate or construction engineering and more than two full time accountants with the relevant qualification certificates. The Development and Management Regulations also stipulates that the government of provinces, autonomous regions and/or the administrative divisions directly under the Central Government may implement stricter rules on the registered capital of the real estate development enterprise and the conditions of the professional technical staff, depending on the local actual situations.

According to the Development and Management Regulations, establishment of a real estate development enterprise requires an application for registration at the relevant administrative authority of industry and commerce. A real estate development enterprise shall also make a filing with the governmental authority of real estate development within thirty days after obtaining the business licence.

The State Council promulgated the Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets (關於調整和完善固定資產投資項目資本金制度的通知) on 9 September 2015, according to which the minimum capital ratio is 20% for affordable housing and ordinary commodity residential projects, and 25% for other property projects.

Qualifications of a Property Developer

Under the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on 29 March 2000 and amended on 4 May 2015, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the

government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Regulations on Administration of Development and Management of Urban Real Estate

(城市房地產開發經營管理條例) promulgated on 20 July 1998, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective one year from its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the government of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorised institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Environmental Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例).

Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Pre-sale and Sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) (the “Administrative Measures”) promulgated on 15 November 1994, implemented on 1 January 1995 and amended on 20 July 2004, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People’s Government at municipality or county level (市、縣人民政府房地產管理部門) and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

- (i) the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;
- (ii) the construction works planning permit and the work commencement permit must have been obtained;
- (iii) funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and project progress and the date of completion of the project for use must have been ascertained; and
- (iv) the pre-sale permit must have been obtained through pre-sale registration.

The Ministry of Construction, the National Development and Reform Commission (the “NDRC”) jointly promulgated the Notice on Further Rectifying the Trade Order of Real Estate (關於進一步整頓規範房地產交易秩序的通知) on 6 July 2006. The purpose of this notice is to strengthen the regulation over the pre-selling of real estate. The Notice provides that real estate development enterprises shall sell commodity residential properties within 10 days after obtaining the pre-sale permit. The Notice was abolished by the Announcement of the Ministry of Housing and Urban — Rural Development on Issuing the Results of Inventory and Review of the Rules and Regulatory Documents (關於公佈住房和城鄉建設部規範性文件清理結果目錄的公告) on 26 January 2011.

On 13 April 2010, the MOHURD issued the Notice on Further Strengthening on Real Estate Market Supervision and Improvement of the Commercial Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- property developers shall not charge the purchaser earnest or advance money in forms of subscription, order or grant of VIP card in relation to the project for which it has not obtained the pre-sale permits;
- property developers shall disclose all housing that is permitted to be sold at one time and the price of each housing unit within 10 days after obtaining the pre-sale permits;
- pre-sale permits can only be issued to entire buildings, in addition, pre-sale permit shall not be issued to individual floors or units;

- property developers shall conduct commercial housing pre-sale programs and sell the commercial housing in accordance with such programs. The programs shall include basic information on the project, such as construction schedule, number of pre-sale housing, predicted size, the areas of public space and public facilities, sale prices and the range of changes in sale prices and the monitoring system for pre-sale proceeds. The pre-sale programme and all material changes to such programme shall be reported to the relevant authorities for record and be published;
- all pre-sale proceeds shall be deposited into accounts under monitoring to ensure the legitimate use for project construction; and
- property developers shall take primary responsibility for the quality of properties developed, while enterprises in the business of survey, design, construction or supervision shall also take the respective responsibilities accordingly.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

According to the Notice Concerning Further Strengthening the Microeconomic Control of the Real Property Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知) promulgated by the General Office of the State Council on 26 January 2011, the administrative divisions directly under the Central Government, cities specifically designated in the State plan, provincial capital cities and the cities with excessive or rapid rising real estate price shall implement strict measures with housing-purchase limitation for a reasonable period of time. As the general rule, a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment of a certain period is limited to purchasing one house (including new constructed commercial property and second hand property); and, a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that is unable to provide evidence of local tax or social insurance payment of a certain period shall be suspended from purchasing house in the relevant administrative region.

On 16 March 2011, the National Development and Reform Commission promulgated the Regulations on Clearly Marking Price in the Sale of Commodity Houses (商品房銷售明碼標價規定), according to which the sale of commodity housing shall mark prices on a per unit basis, and show to the public the collection of handling fees and property management charges. A commodity house operator shall not charge any additional fees other than those clearly marked during the property sale. After the price of a commodity house is clearly marked, the developer may reduce the price or provide discounts, however, any increase in price shall be re-filed with the competent authority for record. These regulations also apply to the selling of second hand property by real estate agents.

According to Notice on Conducting Special Inspections of the Sale of Commodity Houses with Marked Prices (關於開展商品房銷售明碼標價專項檢查的通知) promulgated by the General Office of the National Development and Reform Commission and implemented on 11 May 2011, real estate developers who failed to mark a price on each unit in accordance with relevant regulations will be imposed a fine of CNY5,000 for each unit sold. If the real estate developers are found to have committed in price fraud, order of correction, confiscation of illegal gains and fine will be imposed; in serious cases, the real estate developers will be ordered to suspend business.

According to the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知) promulgated by MOHURD on 10 October 2016, real estate developers conducting improper operations will be subject to investigation and punishment according to the law. Improper operations include releasing and spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices through fabricating or spreading information on rising housing price, and other operations.

Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction (城市房地產轉讓管理規定) on 7 August 1995, as amended on 15 August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

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

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

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

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be assigned by tender, auction or invitation for bidding under the current PRC laws and regulations.

Real Estate Loans

On 5 June 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加強房地產信貸業務管理的通知). According to this Notice, the commercial banks shall focus their business towards supporting real estate projects targeted at medium-to-low-income families and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. The Notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project should not be less than 30% of the total investment of the project. The Notice also prohibits loans advanced for the payment of land premium for land use rights.

On 12 August 2003, the State Council (國務院) published the Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market (國務院關於促進房地產市場持續健康發展的通知), which provides a series of measures to control the property market, including but not limited to increasing the supply of common residential houses, controlling the construction of high-end commodity houses, and strengthening the supervision of the real property administration. The purpose of the Notice is to create a positive influence on the long-term development of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on 30 August 2004, commercial banks may not provide any loan in any form for a project without the State-Owned Land Use Rights Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans must have invested at least 35% of the capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

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

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

On 27 September 2007, the PBOC and the CBRC promulgated the Notice on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The notice aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures, among others, include: prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties. In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or

construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

On 5 December 2007, the PBOC and the CBRC jointly issued the Supplemental Notice on Strengthening the Administration of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his or her spouse and minor children.

On 29 July 2008, the PBOC and the CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (關於金融促進節約集約用地的通知), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

On 22 October 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective 27 October 2008, the float-down range for interest rate for individual mortgage loans is expanded and the ratio of down payments be adjusted. As a result, the minimum interest rate for individual mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

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

On 8 December 2008, the General Office of the State Council promulgated the Opinions on Financially Strengthening the Current Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), which decides to implement and introduce the measures of credit policy to support the residents to purchase the first ordinary self-use house and the house for the purpose of improving the dwelling conditions, increase the credit support for construction of low-rent house, economically affordable house and rebuilding of shanty areas for urban low-income residents, and pilot the real property investment trusts and expand the financing channels for real property enterprises.

According to the Notice on Adjusting the Portion of Capital for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council on 25 May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ratio adjustments whether or not to issue loans to real estate companies.

The General Office of the State Council issued the Notice on Facilitating the Stable and Healthy Development of Property Market (關於促進房地產市場平穩健康發展的通知) on 7 January 2010. The notice reinforces the enforcement of differentiated credit policy. In addition to continuing to support the first-time purchase of common housing with loans, the government strengthens the administration for the second housing bought with loans. It provides that the down payment for the second housing bought with loans shall not be less than 40% of the total price. The interest rate will be adjusted based on risk pricings.

On 17 April 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-local residents who cannot provide any proof of tax or social insurance payment more than one year.

Three authorities, including the MOHURD, PBOC and CBRC, jointly released the Notice on Regulating the Standards for Identifying the Second Set of Housing in Commercial Individual Housing Loans (關於規範商業性個人住房貸款中第二套房認定標準的通知) (the “Notice”) on 26 May 2010, so as to regulate cognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the Notice, the number of houses owned by a family for commercial housing loans for individuals shall be calculated according to the number of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plan to purchase a house. The Notice also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in written. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Improving Differentiated Housing Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which stipulates that all commercial banks shall suspend issuing housing loans to home buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contribution for more than one year.

On 2 November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Regulations of Policies Concerning Personal Housing Provident Fund Loan (關於規範住房公積金個人住房貸款政策有關問題的通知), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. On 26 January 2011, the State Council issued the Notice Concerning Further Strengthening the Macroeconomic Control of the Real Property Market (關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment is raised to 60% for second-house purchases with the minimum lending interest rate at 110% of the benchmark rate.

On 26 February 2013, the General Office of the State Council promulgated the Notice to Further Enhance the Regulation and Control of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, that in cities where the housing

prices are increasing at an excessively high rate, the local counterparts of the PBOC may further increase down payment ratio and interest rates for loans to purchase second residential properties in accordance with the price control policies and targets of the corresponding local governments. In the third quarter of 2013, several cities, including Guangzhou, Shanghai and Hangzhou, have increased minimum down payment for purchasers of second residential properties to 70% of the purchase price.

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

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

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

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

Hotel Development

Hotel developments in China are subject to regulations governing property development generally, including those relating to land use, project planning and construction. Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on Security and Fire Control

Pursuant to the Measures for the Control of Security in the Hotel Industry (旅館業治安管理辦法) issued by the Ministry of Public Security of the PRC and enforced on 10 November 1987, a hotel can start operation only after obtaining an approval from the local public security bureau and being issued a business licence. A hotel operator should make a filing with the local public security bureau and its branches in the county or municipality, if the hotel operator has any material change such as closing, transferring business or merging into other business, and changing place of business and name.

Pursuant to the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on 14 November 2001 and enforced on 1 May 2002, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on Public Health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation licence. The measures for granting and managing sanitation licence are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation licence is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the licence. The sanitation licence should be reviewed once every two years.

Supervision on Catering

According to the relevant regulations and rules in relation to catering services, hotels operating catering services should obtain catering service permits. Catering service permits are granted by food and drug administrative authorities above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards for catering services.

Insurance

There is no mandatory provision under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Foreign Investment in Property Development

The Urban Land Regulations state that foreign entities may acquire land use rights in China unless the law otherwise provides. However, in order to develop the land acquired, foreign investment enterprises in the form of equity or co-operative joint ventures or wholly foreign-owned enterprises must be established.

According to the Provisions on Approving and Registering Foreign Investment Projects (外商投資項目核准和備案管理辦法), promulgated by the NDRC on 17 May 2014 and the Catalogue of Investment Projects Subject to the Approval of Governments (政府核准的投資項目目錄(2016年本)的通知) promulgated by the State Council on 12 December 2016, foreign investment (including capital increase) in the restricted category as provided by the Catalogue of Guidance in an aggregate amount of more than US\$300 million is subject to the NDRC's approval, among which, foreign investment (including capital increase) in an aggregate amount of US\$2 billion should be filed with the State Council. Foreign investment (including capital increase) in the restricted category as provided by the Catalogue of Guidance in aggregate amount of no more than US\$300 million is subject to the approval of provincial government.

The Catalogue of Guidance, in comparison with the Catalogue of Guidance amended on 24 December 2011, removed the following from the restricted category (i) development of whole land plot, and (ii) construction and operation of high-end hotels, high-end office building and international conference centres. Construction of golf courses and villas is provided in the prohibited category of the Catalogue of Guidance. Foreign investment in real estate development except for the prohibited category of the Catalogue of Guidance is permitted. In addition, all property development companies, including foreign investment enterprises, are also required to apply for a property development enterprise qualification certificate (房地產開發企業資質證書) from the central or local construction authority.

On 11 July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Opinions on Foreign Investment in Real Estate (關於規範房地產市場外資准入和管理的意見), which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign-Invested Real Estate Enterprise (the "FIREE") in accordance with applicable PRC laws and shall only conduct operations within the authorised business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US\$10 million or more shall not be less than 50% of its total investment amount, whereas for FIREEs with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business licence which are valid for one year. The approval certificate and business licence can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commerce authorities. The investor shall submit a letter to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit (建設用地規劃許可證) and the construction works planning permit (建設工程規劃許可證). In addition, the investor shall also submit the land use right certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price in a lump sum and with its own capital and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of

the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On 23 May 2007, the MOFCOM and the SAFE issued the Notice on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (“Notice 50”). Under Notice 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with the MOFCOM for record their approvals of establishment of a FIREE and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

On 10 July 2007, the SAFE promulgated the Notice on the Distribution of the List of the First Batch of Foreign-Invested Real Estate Projects that Properly Registered with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單) (“Notice 130”). Notice 130 restricts FIREEs to raise funds offshore for the purpose of injecting such funds into the FIREEs through capital increase or shareholder loans. Notice 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations that: (i) SAFE will no longer process foreign debt registrations or application for purchase of foreign exchange, submitted by FIREEs that obtained authorisation certificates from and registered with MOFCOM on or after 1 June 2007; and (ii) SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by FIREEs that obtained approval certificate from commerce departments of local government on or after 1 June 2007, which have not been registered with MOFCOM.

In connection with the filing requirement, the MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知) on 18 June 2008 to authorise the competent MOFCOM at the provincial level to verify and check the filing documents.

On 10 June 2010, the MOFCOM promulgated the Notice on Issues Concerning Delegating the Approval Power Relating to Foreign Investment (關於下放外商投資審批權限有關問題的通知). This Circular grants local government the power to examine, approve and administrate the establishment and change of (i) foreign-invested enterprises investing in encouraged and permitted categories provide by the Catalogue of Guidance with an aggregate amount of no more than US\$300 million, and (ii) foreign invested enterprises invested in the restricted category provided by the Catalogue of Guidance with an aggregate amount of no more than US\$50 million.

According to the Decision of Amending Four Laws including the Wholly Foreign-owned Enterprises Law of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定) promulgated by the Standing Committee of the National People's Congress on 3 September 2016, the establishment of foreign invested enterprise and its subsequent changes should be filed with relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprise which are subject to the special administrative measures regarding foreign investment. On 8 October 2016, NDRC and MOFCOM jointly issued a notice according to which industries provided by the restricted and prohibited category of the Catalogue of Guidance and industries provided by the encouraged category with requirements of equity or senior management under the Catalogue of Guidance are subject to the special administrative measures regarding foreign investment. On the same day, MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及備案管理暫行辦法).

On 22 November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (商務部辦公廳關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, in the case that a real estate enterprise is established in China with foreign capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

On 24 June 2014, MOFCOM and SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知) to simplify the procedures of registration of foreign investment in real estate. On 11 November 2015, MOFCOM and SAFE jointly issued the Circular on Further Improving the Record-filing for Foreign Investments in Real Estate (關於進一步改進外商投資房地產備案工作的通知) to cancel the online record filing-procedure maintained by MOFCOM.

The Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知), which was promulgated by MOHURD and other authorities on 19 August 2015, removed the special requirement of ratio of registered capital to total investment imposed on FIREEs. The Circular further removed the requirement that the registered capital of FIREEs shall be paid in full before such FIREE may apply for domestic loans or offshore loans.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by the SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of the SAFE (國家外匯管理局).

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the “Foreign Exchange Control Regulations”) which became effective from 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to the SAFE approval while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and on 5 August 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “Settlement Regulations” or the “Provisional Regulations”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Bank Foreign Exchange Settlement and Sale by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialised accounts for capital account receipts and payments at designated foreign exchange banks.

On 25 October 1998, the PBOC and the SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) with effect from 25 October 1998, pursuant to which all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, the PBOC announced that, beginning from 21 July 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks.

Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from the SAFE or its competent branch.

The Foreign Exchange Control Regulations were amended by the State Council on 1 August 2008 and became effective on 5 August 2008. Under the revised Foreign Exchange Control Regulations, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon real and legal transactions, individuals and entities may keep their income in foreign currencies inside or outside China according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaged in foreign currency settlement and exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approvals from the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled Renminbi of capital account must be used in the way as approved by the SAFE or its branches, and the SAFE or its branches are empowered to supervise the utility of the foreign exchange or settled Renminbi of capital account and the alterations of the capital accounts. The Renminbi follows a managed floating exchange rate in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall file with competent authorities of the PRC. Furthermore, such individual or entity shall apply for the approval on such investment, issue or transaction from relevant authorities prior to the filing if otherwise required by relevant PRC laws and regulations.

On 29 August 2008, the General Affairs Department of the SAFE issued the Notice with Regard to the Issues of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accounting firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for foreign-invested real estate enterprises, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act in compliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested enterprises approved by the MOFCOM must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transfer of funds, must undergo examination and approval by the local branches of the SAFE as provided by the relevant regulations.

On 1 September 2006, the Ministry of Construction and the SAFE promulgated the Notice on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知). This notice states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the CNY account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises; (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in CNY back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in CNY is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of the SAFE; and (iv) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and the SAFE shall not approve the settlement of any foreign loans.

On 27 July 2011, SAFE issued the Circular on Issues Concerning Approval of the Outstanding Balance Index for Financing Overseas Guarantee of 2011 by Domestic Banks (2011) (the “2011 Notice”) stating that, among other things, SAFE will no longer accept applications made by domestic PRC real estate enterprises seeking to guarantee the offshore debt of their non-PRC subsidiaries. Additionally, the 2011 Notice provides that no proceeds from the issuance of any offshore debt that is guaranteed by any domestic PRC enterprise may be directly or indirectly remitted into the PRC, including (1) through repayment of the original loan of the guaranteed or other overseas companies where the original loan was remitted into the PRC through equity or creditor’s right; (2) through the purchase of an offshore entity if the majority of the assets of such offshore entity are located in the PRC; or (3) other methods recognised by the Foreign Exchange Bureaus.

On 12 May 2014, SAFE promulgated the Provisions on Foreign Exchange Administration for Cross-border Guarantees (跨境擔保外匯管理規定). According to the Provisions, where the guarantors are non-bank financial institutions or enterprises, they shall, within 15 days after entering into a guarantee contract, apply with the relevant foreign exchange authorities for the registration of the executed domestic guarantee for overseas loans contract. Where there is any change in key terms in the guarantee contract, they shall apply for alteration of the domestic guarantee for overseas loans contract registration. The relevant foreign exchange authorities shall examine the registration applications by non-bank institutions following authenticity and compliance principles. The use of funds in respect of overseas loans guaranteed by domestic

guarantor shall comply with the following provisions: (1) such funds shall only be used for relevant expenditures within the normal business scope of the debtors, and shall not be used for the transactions beyond the normal business scope of the debtors or for arbitrage or other speculative transactions against fictitious trading background; (2) without approval of the SAFE, the debtors shall not directly or indirectly transfer funds under the guarantee for domestic use by means of offering loans, equity investments, or securities investments in the PRC.

On 14 July 2014, SAFE promulgated the Notice on the Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and Roundtrip Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“Circular No. 37”). Domestic residents are required to register with foreign exchange authorities before they invest in special purpose vehicles with legitimate domestic and overseas assets or equity interests. Failure to comply with the registration procedures set forth in Circular No. 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including remittance of dividends and profits to the PRC. Prior to the implementation of Circular No. 37, domestic residents who invested special purpose vehicles with legitimate domestic and overseas assets or equity interests but fail to conduct the foreign exchange registration of overseas investments shall submit an explanatory statement and state the reasons to the bureau of foreign exchange administration. The foreign exchange authorities may make complementary registration under the principles of legitimacy and rationality. In event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws.

On 30 March 2016, SAFE issued the Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) effective from 1 June 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the CNY funds converted from their foreign exchange registered capital. On 9 June 2016, SAFE issued the Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement (關於改革和規範資本專案結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

Taxation in the PRC

Income Tax

Prior to the 2008 Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its implementation rules that became effective on 1 January 2008 (the “EIT Law”), our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new Enterprise Income Tax Law, effective from 1 January 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign invested enterprises. The 2008 Tax Law and its implementation rules provide certain relieves to enterprises that were established prior to 16 March 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of new Enterprises Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from 1 January 2008 and expire on 31 December 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the EIT Law, enterprises established under the laws of foreign jurisdictions but

whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

On 6 March 2009, the SAT promulgated the Management Measures on Income Tax for Real Estate Development Enterprises (房地產開發經營業務企業所得稅處理辦法), which took effect on 1 January 2008.

These measures explicitly stipulates the rules on tax treatment costs, tax treatment of costs deduction, calculation of taxation costs and tax treatment of other special matters. On 12 May 2010 the SAT promulgated the Notice on the Confirmation of Completion Conditions of Development Projects of Real Estate Development Enterprises (關於房地產開發企業開發產品完工條件確認問題的通知), which stipulates that a real estate project shall be deemed as completed when the delivery procedures (or check-in procedures) of the real property is started, or the real property has been put on actual use. The real property developer shall settle the account on time and calculate the amount of enterprise income tax of the same year.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (中華人民共和國營業稅暫行條例), which was promulgated on 13 December 1993 and amended on 10 November 2008. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

Pursuant to the Interim measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers (房地產開發企業銷售自行開發的房地產專案增值稅徵收管理暫行辦法) issued on 31 March 2016 and effective on 1 May 2016 by SAT, “self-development” means infrastructure facilities and building erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over. The applicable rate of VAT is 11%. Nevertheless, for taxpayer conducting old real estate projects and who have chosen to apply the simplified tax method, the simplified rate of 5% will be applied in calculating the prepaid VAT. Once the simplified tax method is chosen, it will be applicable for 36 months. “Old real estate projects” generally refer to real estate projects with commencement dates of construction stated in the construction permits prior to 30 April 2016.

On 30 March 2015, the MOF and the SAT jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from the purchase of the residential property; (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner of more than five years from the purchase of the residential property. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the purchase of the residential property.

Land Appreciation Tax

Under the PRC Provisional Regulations on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) (the “LAT Regulations”) which was promulgated on 13 December 1993 and amended on 8 January 2011, land appreciation tax (the “LAT”) applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the “deductible items” that include the following:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges in the case of newly constructed buildings and facilities;
- Assessed value in the case of old buildings and facilities;
- Taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- Other items allowed by the Ministry of finance.

The tax rate is separated into four categories of progressive tax rates, ranging from 30% to 60% of the appreciation value as compared to the “deductible items” as follows:

<u>Appreciation Value</u>	<u>LAT Rate</u>
Portion not exceeding 50% of deductible items	30%
30% Portion over 50% but not more than 100% of deductible items	40%
40% Portion over 100% but not more than 200% of deductible items	50%
50% Portion over 200% of deductible items	60%

Exemption from the LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties, excluding deluxe apartments, houses, resorts etc.), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the State;
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities’ approval.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before 1 January 1994 (關於對1994年 1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the Ministry of Finance on 27 January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- Real estate transfer contracts executed before 1 January 1994; and
- First time transfers of land use rights and/or premises and buildings during the five years commencing on 1 January 1994 if the real estate development contracts were executed or the development projects were approved before 1 January 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995 respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did for other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, the SAT, the Ministry of Construction and the State Land Administration Bureau (the predecessor of the Ministry of Land and Resources) separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities of the place where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership title certificates.

The State Administration of Taxation issued a further notice, namely, the Notice on Careful Management Work of LAT Collection (關於認真做好土地增值稅徵收管理工作的通知) on 10 July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate. This requirement is restated in the Notice of State on Further Strengthening of Administration Work in Relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on 5 August 2004 by the State Administration of Taxation.

On 28 December 2006, the State Administration of Taxation promulgated the Notice Concerning the Settlement of the LAT Imposed on Real Property Developers (關於房地產開發企業土地增值稅清算管理有關問題的通知), effective from 1 February 2007.

LAT must be paid if a project meets any of the following requirements:

- The property development project has been completed and sold out;
- The entire uncompleted and unsettled development project is transferred; or
- The land-use right of the relevant project is transferred.

In addition, the competent tax departments may require a property developer to settle the LAT in any of the following circumstances:

- For completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer;
- The project has not been sold out for more than three years after obtaining the sale or pre-sale permits;
- The developer applies for cancellation of the tax registration without having settled the LAT; or
- Other conditions stipulated by the provincial tax departments.

The tax bureaus at the provincial level will, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the above notice.

The State Administration of Taxation issued the Administrative Rules for the Liquidation of Land Appreciation Tax (關於印發《土地增值稅清算管理規定》的通知) effective from 1 June 2009. The State Administration of Taxation reiterated the above requirements in the new rules.

On 19 May 2010, the SAT issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) which clarifies the revenue recognition in the settlement of the LAT and other relevant issues. According to the notice, in the settlement of the LAT, if the sales invoices of commodity houses are issued in full, the revenue shall be recognised based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognised based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of LAT, adjustments shall be made in the calculation of LAT. The notice provides that the deed tax paid by a real estate development enterprise for land use right shall be treated as the “relevant fees paid in accordance with the uniform regulations of the State” and be deducted from the “amount paid for land use right”.

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

According to Article 3 of the Notice on Adjustments to Taxation Policies on the Links of Real Estate Deals (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) promulgated by the Ministry of Finance and the SAT and implemented on 1 November 2008, the selling of houses by individuals is exempted from paying the LAT for the time being.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on 27 September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between CNY0.2 and CNY10.0 per sq.m..

The regulations were revised by the State Council on 7 December 2013. As of 7 December 2013, the annual tax on every square meter of urban land shall be between CNY0.6 and CNY30.0.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of CNY5.0 per item.

According to Article 2 of the Notice on Adjustments to Taxation Policies on the Links of Real Estate Deals (財政部、國家稅務總局關於調整房地產交易環節稅收政策的通知) promulgated by the MOF and the SAT on 22 October 2008 and implemented on 1 November 2008, the selling or purchase of houses by individuals is exempted from paying stamp duty.

Deed Tax

Under the PRC Provisional Regulations on Deed Tax (中華人民共和國契稅暫行條例) which was promulgated on 7 July 1997 and implemented on 1 October 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- Grant of use right of state-owned land;
- Sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- Sale, gift and exchange of real properties.

Deed tax rate is from 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

According to the Reply Regarding the Clarification of Taxation Basis of Deed Tax in Relation to Transfer of State-Owned Land Use Rights (關於明確國有土地使用權出讓契稅計稅依據的批復) implemented by the SAT on 27 October 2009, for the transfer of state-owned land use rights, the taxation price of deed tax shall be the total economic interests paid by the transferee for obtaining the subject land use rights. For the state-owned land the use rights of which are obtained by way of tender, auction and invitation for bidding, the taxation basis of deed tax shall be the total price of the land deal without deducting the early-stage land development expenses of the early stage.

On 29 September 2010, the SAT, the Ministry of Finance and the MOHURD issued the Notice on Adjustments of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transaction (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that where an individual purchases a common house which is the sole house for his/her family (the family members include the purchaser, his/her spouse and minor child (children), same below) to live in, deed tax thereon shall be levied at a reduced half rate. Where an individual purchases a common house of 90 sq.m. or less, which is the sole house for his/her family to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchase of common houses that fails to satisfy the above provisions, no preferential tax policies set out above may be enjoyed.

Property Tax

Under the Provisional Regulations of the PRC on Property Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on 15 September 1986, property tax is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

The State Council recently approved, on a trial basis, the launch of a new property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On 27 January 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on 28 January 2011. Under the Shanghai Provisional Rules on the Trial in Collection and Administration of Property Tax on Certain Individual Residential Houses (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), among other things, (i) starting on 28 January 2011, Shanghai shall, on a trial basis, levy property taxes on a newly bought second or succeeding house in Shanghai which is purchased by a local resident family and each newly bought house in Shanghai which is purchased by a non-local resident family; (ii) the applicable rate of the property tax is 0.4% or 0.6%, subject to specified circumstances; and (iii) the property tax shall be temporarily payable on the basis of 70% of the transaction value of the taxable house. Moreover, the Shanghai property tax rule provides several measures for tax deduction or exemption, including the rule that if a local resident family's GFA per capita, calculated on the basis of the consolidated living space (including the newly bought house) owned by such family, is not more than 60 sq.m., such family is temporarily exempted from property tax when purchasing a second house or more after 28 January 2011 in Shanghai. Under the Chongqing Implementation Rules on Collection and Administration of Property Tax of Individual Residential Houses (重慶市個人住房房產稅徵收管理實施細則) issued by the Chongqing government which became effective on 28 January 2011, property tax will be imposed on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after 28 January 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years and (iii) the second or further ordinary residential properties purchased on or after 28 January 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing, at rates ranging from 0.5% to 1.2% of the purchase price of the property. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing to impose property tax on commodity properties.

Municipal Maintenance Tax

Under the Provisional Regulations of the PRC on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on 8 February 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Notice Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the State Administration of Taxation on 25 February 1994, the municipal maintenance tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設和教育費附加制度的通知), which provides that from 1 December 2010, the Provisional Regulations on Municipal Maintenance Tax promulgated in 1985 shall be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on municipal maintenance tax promulgated by the State Council and the competent finance and tax authorities under the State Council since 1985 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

Education Surcharge

Under the Provisional Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) (the “Provisions on Education Surcharge”) promulgated by the State Council on 28 April 1986 and revised by the State Council on 7 June 1990 and 20 August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知) which was promulgated on 13 December 1984. Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on 12 October 1994, the education surcharge is not applicable to enterprises with foreign investment for the time being.

On 18 October 2010, the State Council issued the Notice on Unifying the System of Municipal Maintenance Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which provides that from 1 December 2010, the Provisions on Education Surcharge promulgated in 1986 shall be applicable to foreign invested enterprises, foreign enterprises and individual foreigners. Laws, regulations, rules and policies on education surcharge promulgated by the State Council and the competent finance and tax authorities under the State Council since 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and individual foreigners.

DIRECTORS AND MANAGEMENT

Our board of directors is charged with providing overall leadership for and effective control over our Company in a way that maximizes financial performance and shareholder value. The Board formulates business policies and strategies for the Group, including dividend policy and risk management strategies. It is also responsible for implementing internal controls and monitoring their effectiveness. The day-to-day execution of the Board's policies and strategies is delegated to our executive directors and management.

The Board consisted of nine directors, comprising four executive directors: Mr. Li Sze Lim, Chairman, Mr. Zhang Li, Co-chairman and Chief Executive Officer, Mr. Zhou Yaonan and Mr. Lu Jing; two non-executive directors, Ms. Zhang Lin and Ms. Li Helen; and three independent non-executive directors, Mr. Zheng Ercheng, Mr. Ng Yau Wah, Daniel and Mr. Wong Chun Bong. Certain information with respect to our directors and supervisors as of the date of this offering memorandum is set out below:

Name	Age	Position
Li Sze Lim (李思廉), JP	60	Chairman
Zhang Li (張力)	64	Co-chairman and Chief Executive Officer
Zhou Yaonan (周耀南)	63	Deputy Vice President and Executive Director
Lu Jing (呂勁)	57	Executive Director
Zhang Lin (張琳)	69	Non-executive Director
Li Helen (李海倫)	66	Non-executive Director
Zheng Ercheng (鄭爾城)	60	Independent Non-executive Director
Ng Yau Wah, Daniel (吳又華)	62	Independent Non-executive Director
Wong Chun Bong (王振邦)	58	Independent Non-executive Director
Chen Liangnuan (陳量暖)	67	Supervisor
Liang Yingmei (梁英梅)	77	Supervisor
Zhao Xianglin (趙祥林)	76	Supervisor

Biographical details of the directors and their relationships, if any, are set out below:

Executive Directors

Li Sze Lim (李思廉), JP, aged 60, is an executive director and the Chairman of our Company. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company. He is responsible for the strategic direction of our Company and also specially responsible for the sales and financial management function. Mr. Li obtained his bachelor degree in mathematics in 1978 from the Chinese University of Hong Kong and was a merchant when starting his career in the real estate business in 1993. In August 1994, Mr. Li Sze Lim and Mr. Zhang Li together founded the Company. Mr. Li is the Chairman of the Council of Guangdong Chamber of Real Estate, a director and the President of China Real Estate Developers and Investors Association ("CREDIA"), the President of Guangzhou Real Estate Association and Guangzhou Real Estate Institute, the president and the Chairman of the Supervisory Board of New Home Association Limited (a charitable organisation in Hong Kong) and a director and part-time professor of Jinan University. Mr. Li is the brother of Ms. Li Helen who is a non-executive director of our Company. Save as disclosed above, Mr. Li is also a director of certain subsidiaries incorporated in the British Virgin Islands, the PRC and Hong Kong, and a director of all subsidiaries incorporated in Malaysia and Singapore.

Zhang Li (張力), aged 64, is an executive director, the Co-chairman and Chief Executive Officer of our Company. Mr. Zhang is responsible for our Company's land acquisition, construction development, cost control and managing daily operations. Mr. Zhang started his career in the construction and renovation business. Prior to joining our Company, he was the Secretary of Youth League Committee of Guangzhou 2nd Light Industry Bureau and the Head of production department of Guangzhou Baiyun District Township Enterprise Administration. In 1993, Mr. Zhang began to engage in real estate development and in August 1994, together with Mr. Li, founded the Company. Mr. Zhang is also an executive director and chairman of Kinetic Mines and Energy Limited, a limited company listed in Hong Kong (stock code: 1277). Mr. Zhang is a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference, the Chairman of China Real Estate Chamber of Commerce and a part-time professor of Jinan University. Mr. Zhang is the brother of Ms. Zhang Lin who is a non-executive director of our Company. Save as disclosed above, Mr. Zhang is also a director of certain subsidiaries incorporated in the British Virgin islands, the PRC and Australia and a director of two subsidiaries incorporated in Hong Kong.

Zhou Yaonan (周耀南), aged 63, is an executive director and Deputy Vice President of our Company. Mr. Zhou is primarily responsible for coordinating and monitoring the construction and development of property projects and project management. He was appointed as a Deputy General Manager when he joined the Group in October 1995 and was made General Manager in 2005. He was elected as an executive director of the Board in October 2001 and acted as a Deputy Vice President of our Company since 2008. Prior to joining the Group, he held various teaching and administrative positions with a number of middle schools in Guangzhou, after graduating from South China Normal University with a bachelor's degree. Save as disclosed above, Mr. Zhou is also a director of certain subsidiaries incorporated in the PRC.

Lu Jing (呂勁), aged 57, is an executive director of our Company. Mr. Lu has been with our Company since the formation of Tianli Properties Development Co., Ltd. in August 1994, and has been serving as the Deputy General Manager since then. He was elected as Executive Director of the Board in October 2001. He was appointed the General Manager of Beijing R&F Properties Development Co., Ltd. and R&F (Beijing) Properties Development Co., Ltd., the vice director of Shanghai R&F Properties Development Co. Ltd. He graduated from the Guangdong University of Mining in 1982 with a bachelor's degree in industrial automation. He has also been awarded an EMBA degree from Peking University. Prior to joining us, Mr. Lu was deputy manager of a pharmaceutical factory in Guangzhou. Save as disclosed above, Mr. Lu is also a director of certain subsidiaries incorporated in the PRC and Australia.

Non-executive Directors

Zhang Lin (張琳), aged 69, is a non-executive director of our Company. Ms. Zhang served as a lecturer at the South China University of Technology from 1982 to 1993 and as an associate professor in the Engineering Training Centre from 1993 to 2003. Ms. Zhang graduated from the South China University of Technology having majored in electrical engineering. Ms. Zhang is the sister of Mr. Zhang Li. Ms. Zhang is also a non-executive director of Kinetic Mines and Energy Limited, a limited company listed in Hong Kong (stock code: 1277).

Li Helen (李海倫), aged 66, is a non-executive director and a member of the audit committee of our Company. Ms. Li has over 25 years of experience in international trade and has held various senior executive positions with several international companies. From 1986 to 1987, she was the Managing Director of Sunrise Knitwear Ltd., a knitwear manufacturing company in Hong Kong and a subsidiary of Hong Kong Sales Knitwear Ltd. From 1988 to 2005, she was the president of Great Seas Marketing Inc., a Canadian garment wholesale and distribution company. Ms. Li is the sister of Mr. Li Sze Lim.

Independent Non-executive Directors

Zheng Ercheng (鄭爾城), aged 60, is an independent non-executive director of our Company, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company. Mr. Zheng has extensive experience in the China banking industry and financial sector. He was sub-branch deputy governor and then governor of China Construction Bank, Guangzhou Branch, Tianhe Sub-branch from 1987 to 1997 and general manager of the International Business Department of the Guangzhou Branch of the China Construction Bank from 1997 to 1999. He was the general manager of the Guangzhou Branch of Cinda Asset Management Company from 1999 to 2000. Mr. Zheng is also an independent non-executive director of Kinetic Mines and Energy Limited (Stock code: 1277), a company listed on the Hong Kong Stock Exchange.

Ng Yau Wah, Daniel (吳又華), aged 62, is an independent non-executive director of our Company and a member of the remuneration committee. He obtained his bachelor degree in economics in 1978 from the York University, Canada. Mr. Ng had engaged in carpet trading and manufacturing business for more than 20 years. He was previously the executive director of International Carpet Company Limited. Mr. Ng also has substantial past experience in property investment projects in China, Hong Kong and Malaysia. He is currently the executive director of Gayloy Limited, a company engaged in real estate property investment and management, leasing of property and rental of parking spaces in Hong Kong.

Wong Chun Bong (王振邦), aged 58, is an independent non-executive director of our Company, the chairman of our audit committee and a member of our nomination committee of the Company. Mr. Wong is a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England and Wales. Mr. Wong has held a range of positions relating to the provision of assurance, taxation, accounting and financial management services. Mr. Wong holds a higher diploma in Accountancy from the Hong Kong Polytechnic, currently known as The Hong Kong Polytechnic University. Mr. Wong is currently the managing partner of a firm of certified public accountants in Hong Kong. He is also a member of both the Council and Court of The Hong Kong Polytechnic University. He was the ex-Chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong. Mr. Wong is an independent non-executive director of China Goldjoy Group Limited (Stock code: 1282), a company listed on The Stock Exchange of Hong Kong Limited.

Supervisors

Chen Liangnuan (陳量暖), aged 67, is a supervisor of our Company. Mr. Chen graduated from Shanghai Textile College in 1977. From 1977 to 1996, Mr. Chen had served as the general manager or party secretary of various textile factories in Guangzhou. Mr. Chen joined Guangzhou Tianli Construction Co., Ltd. ("Tianli") in 1996 as its general manager. Tianli is presently a wholly-owned subsidiary of the Company. Mr. Chen is also a director of Tianli, Foshan Lizun Metal Products Co., Ltd. (佛山力尊金屬製品有限公司) and Guangzhou Tianyin Landscape Engineering Co., Ltd. (廣州天盈園林工程有限公司). Save as disclosed above, Mr. Chen is also a director of certain subsidiaries incorporated in the PRC.

Liang Yingmei (梁英梅), aged 77, is a supervisor of our Company. Ms. Liang has over 40 years of experience in the construction industry. She has been the chairman of the Association of the Construction Materials Industry of Guangzhou. Prior to 2000, she served as an engineer, a deputy general manager and finally chairman and general manager of Guangzhou Construction Materials Group Corporation. Ms. Liang received a bachelor's degree in chemistry from the South China University of Technology in 1964. She was appointed as a supervisor of the Company in June 2004 to act as a representative of the Company's shareholders.

Zhao Xianglin (趙祥林), aged 76, is a supervisor of our Company. Mr. Zhao is very experienced in supervising the functioning of sizable enterprises. From 1969 to 2002, Mr. Zhao was a senior teacher at the Affiliated High School of Yangzhou University (“AHSYU”). During Mr. Zhao’s tenure at AHSYU, he was also the head of the Music Curriculum Development Team, vice-president of the Labor Union and the director of the Office of School Sponsored Enterprises of AHSYU. From 1998 to 2002, Mr. Zhao was a member of the Political Consultative Conference of the City of Yangzhou. Mr. Zhao retired in 2002. Mr. Zhao graduated from Yangzhou University in 1964 with a higher education diploma. Mr. Zhao was appointed as a supervisor of our Company in September 2014 to act as a representative of our Company’s shareholders.

All directors have entered into a letter of appointment with the Company for a specific term of three years. All are subject once every three years to retirement from office by rotation and re-election at the annual general meeting, in accordance with the articles of association of the Company.

The Board is fully responsible for the formulation of business policies and strategies in relation to the business operations of the Group, including dividend policy and risk management strategies. It is also responsible for the adoption of internal business and management control as well as the monitoring of the effectiveness of its control measures.

All directors, including non-executive directors and independent non-executive directors, have devoted a reasonable amount of time and effort to the business affairs of the Company. All non-executive and independent non-executive directors possess appropriate academic and professional qualifications and related management experience, and have contributed advice to the Board. The Board believes that the ratio of executive directors to non-executive directors is reasonable, and provides checks and balances that are sufficient to safeguard the interests of shareholders and of the Company. The Board also believes that the independent judgments offered by non-executive directors and independent non-executive directors on issues relating to strategy, performance, conflicts of interest and management processes are valuable for taking into account and protecting the interests of the Company’s shareholders.

All our directors have access to timely information about our business and are able to make further enquires whenever necessary. They also have unrestricted access to the advice and services of the company secretary, who is responsible for providing directors with board papers and related materials. The Board has also agreed that any director may seek independent professional advice on issues related to our business at the Company’s expense.

We continuously update all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, both to ensure compliance and to enhance their awareness of good corporate governance practices.

As Chairman, Mr. Li Sze Lim provides leadership and oversees the Board’s working. He ensures that all directors are properly briefed on issues arising at Board meetings, and receive comprehensive, relevant and reliable information in a timely manner. He is also responsible for the Board’s effectiveness by ensuring that all key issues are discussed within the Board, and that the Board adopts good corporate governance practices. The Chairman from time to time holds meetings with independent non-executive directors without the presence of executive directors.

Mr. Zhang Li, the Co-chairman, is the Chief Executive Officer of our Company. He is responsible for the execution of all business policies, strategies, objectives and plans adopted by the Board. The role of the Chief Executive Officer is separate from that of the Chairman.

Nomination Committee

The nomination committee has been established on 20 March 2012 with written terms of reference. The committee comprised three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Wong Chun Bong. Mr. Li Sze Lim is chairman of the committee.

Among other duties, the nomination committee is responsible for the formulation of nomination policy for the consideration of the Board and implements the nomination policy approved by the Board. Specific responsibilities include, among others, reviewing the structure, size and composition of the Board, identifying and nominating candidates to fill casual vacancies of directors, reviewing the time required from directors to perform their duties and making recommendation to the Board in respect of succession planning.

Supervisory Committee

The supervisory committee consists of three members, including two supervisors who represent shareholders, Ms. Liang Yingmei and Mr. Zhao Xianglin, and one who represents employees, Mr. Chen Liangnuan. The supervisors effectively performed their supervisory duties relating to the Company's operations.

Audit Committee

The audit committee was established with terms of reference in accordance with Appendix 14 to the Listing Rules. The committee reports to the Board and has held regular meetings to review and make recommendations for improving the Group's financial reporting processes and its internal controls. The committee is made up of three members: a non-executive director, Ms. Li Helen, and two independent non-executive directors, Mr. Wong Chun Bong and Mr. Zheng Ercheng. The chairman of the committee is Mr. Wong Chun Bong, who has professional accounting qualifications and expertise in financial management.

The audit committee is responsible for presenting a clear and balanced assessment of the Group's performance, results and prospects. The audit committee is delegated by the Board to be responsible for reviewing the accounting policies and practices adopted by the Group as well as reviewing internal control, risk management and financial reporting matters of the Group. It is also tasked with coordinating with external auditors in respect of the annual audit on matters such as the scope of the audit and any issues arising from it; make recommendations to the Board on appointing or removing external auditors; and consider their remuneration and terms of engagement.

Remuneration committee

The remuneration committee was established with written terms of reference in accordance with Appendix 14 to the Listing Rules. The committee comprises three directors: Mr. Li Sze Lim, executive director, and two independent non-executive directors, Mr. Zheng Ercheng and Mr. Ng Yau Wah, Daniel. Mr. Zheng Ercheng is the chairman of the committee.

The remuneration committee is responsible for formulating and recommending to the Board policy on remuneration-related matters including, among others, bonus structures and provident funds. The Company's remuneration policy is designed to ensure that the remuneration offered to employees, including executive directors and senior management, is based on factors such as levels of skill, knowledge, responsibility and involvement in the Company's affairs. The committee determines the remuneration packages of executive directors and members of senior

management. The remuneration of executive directors is linked to the Company's business performance and profitability in the context of current market conditions. Individual directors and senior management are not involved in determining their own levels of remuneration.

Directors' and Supervisors' Interests and Short Positions in the Shares and Underlying Shares and Debentures of the Company

As of 30 June 2017, the beneficial interests and short positions of the directors and supervisors of the Company and any of the associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which are required to be (i) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (ii) entered into the register required to be kept by the Company under Section 352 of Part XV of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, were as follows:

- (a) Long positions in the shares, underlying shares and debentures of the Company as of 30 June 2017 were as follows:

Director/ supervisor	Class of shares	Number of Shares				Percentage of the total number of issued shares ⁽¹⁾
		Personal	Spouse or child under 18	Corporate interest	Total	
Li Sze Lim.	Domestic share	1,045,092,672				
	H share	30,000,000	5,000,000	6,000,000	1,086,092,672	33.70%
Zhang Li . .	Domestic share	1,005,092,672	20,000,000			
	H share	6,632,800			1,031,725,472	32.02%
Lu Jing . . .	Domestic share	35,078,352			35,078,352	1.09%
Zhou Yaonan . .	Domestic share	22,922,624			22,922,624	0.71%
Li Helen . .	H share	1,003,600			1,003,600	0.03%
Zheng Ercheng.	H share	260,280			260,280	0.01%
Ng Yau Wah, Daniel ...	H share	588,000			588,000	0.02%
Chen Liangnuan.	Domestic share	20,000,000			20,000,000	0.62%

Note:

- (1) The Company's total number of issued shares as of 30 June 2017 was 3,222,367,344 of which 2,207,108,944 shares are domestic shares held by domestic shareholders, accounting for 68.49% of the total share capital of the Company and 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

- (b) Long positions in the shares, underlying shares and debentures of the Company's associated corporations (within the meaning of Part XV of the SFO):

Director	Name of associated corporation	Type	No. of shares	Percentage of total issued capital
Li Sze Lim . .	Guangzhou Tianfu Property Development Co., Ltd. ⁽¹⁾	Corporate	N/A	7.50%
	Beijing Fushengli Investment Consulting Co., Ltd. ⁽²⁾	Corporate	N/A	34.64%
Zhang Li . . .	Guangzhou Tianfu Property Development Co., Ltd. ⁽¹⁾	Corporate	N/A	7.50%
	Beijing Fushengli Investment Consulting Co., Ltd. ⁽²⁾	Corporate	N/A	34.64%

Notes:

- (1) Guangzhou Tianfu Property Development Co., Ltd. is 15% and 85% owned by Century Land Properties Limited and the Company respectively. Century Land Properties Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.
- (2) Beijing Fushengli Investment Consulting Co., Ltd. is 70% and 30% owned by Well Bright International Limited and Guangzhou Tianli Construction Co., Ltd. respectively. Guangzhou Tianli Construction Co., Ltd. is a subsidiary of the Company. Well Bright International Limited is 51% and 49% owned by Guangdong South China Environmental Protection Investment Co., Ltd. and Sparks Real Estate Holdings Limited respectively. Each of Mr. Li Sze Lim and Mr. Zhang Li owns 49% of Guangdong South China Environmental Protection Investment Co., Ltd. Sparks Real Estate Holdings Limited is beneficially owned by Mr. Li Sze Lim and Mr. Zhang Li at 50% each.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2017, so far as the directors are aware, only the following persons (other than our directors, supervisors and chief executive officer of the Company) held 5% or more beneficial interests or short positions in the shares and underlying shares of the Company which would be required to be disclosed to the Company under division 2 and 3 of Part XV of the SFO, as recorded in the register as required to be kept under section 336 of the SFO.

<u>Name of shareholders</u>	<u>Types of share</u>	<u>Number of shares⁽¹⁾</u>	<u>Percentage of H shares⁽²⁾</u>
BlackRock, Inc.	H share	60,895,593 (L)	5.99%
		523,600 (S)	0.05%
Citigroup Inc..	H share	55,542,762 (L)	5.47%
		10,728,586 (S)	1.06%
		43,607,214 (P)	4.30%
Commonwealth Bank of Australia	H share	53,233,212 (L)	5.24%
		5,067,768 (S)	0.49%
Lehman Brothers Holdings Inc.	H share	51,049,240 (L)	5.03%
		67,663,183 (S)	6.66%

Notes:

- (1) The letters "L", "S" and "P" respectively denote a long position, a short position and lending pool in the shares.
- (2) 1,015,258,400 shares were held by the holders of H shares, accounting for 31.51% of the total share capital of the Company.

RELATED PARTY TRANSACTIONS

During the year ended 30 June 2017, the Group entered into the following transactions with related parties as disclosed in Note 24 “Significant related-party transactions” to the condensed consolidated interim financial information as of and for the six months ended 30 June 2017:

- provision of salary and welfare benefits to key management personnel;
- provision of property management services to Tianjin Jinnan Xincheng Properties Development Co., Ltd. (天津津南新城房地產開發有限公司) and Guizhou Daxinan Properties Development Co., Ltd. (貴州大西南房地產開發有限公司);
- provision of decoration, design and construction services to Guangzhou Fujing Properties Development Co., Ltd. (廣州市富景房地產開發有限公司), Guizhou Daxinan Properties Development Co., Ltd. (貴州大西南房地產開發有限公司), Guangzhou Senhua Real Estate Co., Ltd. (廣州市森華房地產有限公司), Tianjin Jinnan Xincheng Properties Development Co., Ltd. (天津津南新城房地產開發有限公司), Guangxi Fuya Investment Co., Ltd (廣西富雅投資有限公司), Shanghai Chengtou Yuecheng Properties Co., Ltd. (上海城投悅城置業有限公司) and Henan Jianye Fuyu Investment Co., Ltd. (河南建業富居投資有限公司);
- purchase of installation services from Guangzhou Jurong Engineering Co., Ltd. (廣州鉅融機電工程有限公司); and
- provision of guarantees for bank and other borrowings of six joint ventures and one associate to the extent of CNY4,047.7 million (US\$597.1 million).

Save for the above related party transactions, there are no other material related party transactions for the six months ended 30 June 2017.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 30 June 2017, our total bank loans amounted to CNY51,579.7 million (US\$7,608.4 million). In addition, as of 30 June 2017, we had a total amount of the equivalent of CNY48,779.1 million (US\$7,195.3 million) of corporate bonds outstanding from the issuance of our 2015 Corporate Bonds and 2016 Corporate Bonds. As of the same date, we had CNY996.0 million (US\$146.9 million) of medium-term notes, a total principal amount of US\$725.0 million of the 2022 Notes, other borrowings equivalent to CNY16,705.0 million (US\$2,464.1 million) and finance lease liabilities equivalent to CNY266.5 million (US\$39.3 million) outstanding. In addition, as of 30 June 2017, we had a total amount of CNY2,403.9 million (US\$354.6 million) of perpetual capital instruments outstanding. We have also, since 30 June 2017, issued the 2018 Notes in an aggregate total principal amount of US\$800.0 million and, in the ordinary course of business, entered into additional financing arrangements for refinancing and for general corporate purposes. We set forth below a summary of the material terms and conditions of these loans, indebtedness and other obligations.

PRC Financing Documents

Project Loans and Perpetual Capital Instruments

We and certain of our PRC subsidiaries have entered into financing documents with various PRC banks and other financial institutions, including perpetual capital instruments. These financing documents typically are project loans to finance the construction of our projects with terms ranging from one to five years, which generally correspond to the construction periods of the particular projects. Certain of our PRC project loans require prepayment of the loan if a certain percentage of GFA of the relevant project has been sold. The perpetual capital instruments have no maturity date.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, we and many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties with the assets funded by the loans;

- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganisations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Guarantee and Security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the financing documents pursuant to which these subsidiaries and associates have guaranteed or provided security including property mortgage for all liabilities of the subsidiary borrowers under these financing documents. We also act as a guarantor in relation to certain of these financing documents.

2015 Corporate Bonds

On 13 July 2015, we issued 65,000,000 units of corporate bonds at a par value of CNY6.5 billion in the PRC. The 2015 Corporate Bonds will mature after five years from the issue date at their nominal value of CNY6.5 billion. On 25 August 2015, the 2015 Corporate Bonds were listed on the Shanghai Stock Exchange.

Interest

The interest rate of the 2015 Corporate Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, we have an option to increase the interest by up to 100 basis points for the remaining period. Interest payment is payable once per annum on 13 July of each year, for as long as the 2015 Corporate Bonds are outstanding.

Maturity and Prepayment

The 2015 Corporate Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

Events of Default

The 2015 Corporate Bonds have customary events of default, including, among others, for non- payment of principal or interest.

2016 Public Corporate Bonds

On 11 January 2016, we issued the first tranche of the 2016 Public Corporate Bonds of CNY6.0 billion in the PRC (the "First Tranche 2016 Public Corporate Bonds"). On 9 March 2016, the First Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

On 22 January 2016, we issued the second tranche of the 2016 Public Corporate Bonds (the “Second Tranche 2016 Public Corporate Bonds”) of CNY3.6 billion in the PRC. On 11 March 2016, the Second Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

On 7 April 2016, we issued a dual-category third tranche of the 2016 Public Corporate Bonds (the “Third Tranche 2016 Public Corporate Bonds”) of CNY2.9 billion. On 3 May 2016, the Third Tranche 2016 Public Corporate Bonds were listed on the Shanghai Stock Exchange.

Interest

The interest rate of CNY6.0 billion of the First Tranche 2016 Public Corporate Bonds and CNY3.6 billion of the Second Tranche 2016 Public Corporate Bonds is 3.95% per annum and on the third anniversary of the issue date, the Company will have an option to increase the interest rates for the remaining periods.

The interest rate of the first CNY1.95 billion of the Third Tranche 2016 Public Corporate Bonds is 3.48% per annum and on the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The interest rate of the second CNY950 million of the Third Tranche 2016 Public Corporate bonds is 3.95% per annum and on the fifth anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods.

Maturity and Prepayment

The First Tranche 2016 Public Corporate Bonds and the Second Tranche 2016 Public Corporate Bonds will mature in 2021 and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates. The first CNY1.95 billion of the Third Tranche 2016 Public Corporate Bonds will mature in 2022 and are puttable for early redemption at the principal amount upon the third anniversary of the issue date. The second CNY950 million of the Third Tranche 2016 Public Corporate Bonds will mature in 2023 and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

Events of Default

The 2016 Public Corporate Bonds have customary events of default, including, among others, for non-payment of principal or interest.

2016 Non-public Corporate Bonds

On 16 May 2016, we issued the first tranche of the 2016 Non-public Corporate Bonds of CNY4.6 billion (the “First Tranche 2016 Non-public Corporate Bonds”). On 30 May 2016, we issued the second tranche of the 2016 Non-public Corporate Bonds of CNY10.4 billion (the “Second Tranche 2016 Non-public Corporate Bonds”). On 29 June 2016, we issued the third tranche of the 2016 Non-public Corporate Bonds of CNY9.3 billion (the Third Tranche 2016 Non-public Corporate Bonds”). On 19 October 2016, we issued the fourth tranche of the 2016 Non-public Corporate Bonds of CNY5.7 billion (the “Fourth Tranche of 2016 Non-public Corporate Bonds”).

Interest

The interest rate of the First Tranche 2016 Non-public Corporate Bonds, the Second Tranche 2016 Non-public Corporate bonds, the Third Tranche 2016 Non-public Corporate Bonds and the Fourth Tranche 2016 Non-public Corporate Bonds is 5.2%, 5.15%, 5.0% and 4.39% per

annum, respectively. For the First Tranche 2016 Non-public Corporate Bonds and the Fourth Tranche 2016 Non-public Corporate Bonds, we will have the option to increase the interest rate for the remaining periods after the third anniversary of the respective issue date. For the Second Tranche 2016 Non-public Corporate Bonds and the Third Tranche 2016 Non-public Corporate Bonds, we will have the option to increase the interest rate for the remaining periods after the second anniversary of the respective issue date.

Maturity and Prepayment

The First Tranche 2016 Non-Public Corporate Bonds will mature in 2022 and are puttable for early redemption at the principal amount upon the third anniversary of the issue date. The Second Tranche 2016 Non-public Corporate Bonds will mature in 2020 and are puttable for early redemption at the principal amount upon the second anniversary of the issue date. The Third Tranche 2016 Non-public Corporate Bonds will mature in 2020 and are puttable for early redemption at the principal amount upon the second anniversary of the issue date. The Fourth Tranche 2016 Non-public Corporate Bonds will mature in 2022 and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

Events of Default

The 2016 Non-public Corporate Bonds have customary events of default, including, among others, for non-payment of principal or interest.

2017 Medium-term Notes

On 27 April 2017, we issued the first tranche of the 2017 Medium-term Notes of CNY1.0 billion (the “First Tranche 2017 Medium-term Notes”). On 3 July 2017, we issued the second tranche of the 2017 Medium-term Notes of CNY1.0 billion (the “Second Tranche 2017 Medium-term Notes”). The First Tranche 2017 Medium-term Notes and the Second Tranche 2017 Medium-term Notes were listed on the Shanghai Clearing House on 2 May 2017 and 6 July 2017, respectively.

Interest

The interest rate of the First Tranche 2017 Corporate Bonds is fixed at 5.25% per annum, and the interest rate of the Second Tranche 2017 Corporate Bonds is fixed at 5.50% per annum. Interest payment is payable once per annum on 28 April for the First Tranche 2017 Corporate Bonds and per annum on 5 July for the Second Tranche 2017 Corporate Bonds.

Maturity

The First Tranche 2017 Medium-term Notes will mature on 28 April 2020, and the Second Tranche 2017 Medium-term Notes will mature on 5 July 2020.

Events of Default

The 2017 Medium-term Notes have customary events of default, including, among others, for non-payment of principal or interest.

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing arrangements with financial institutions to finance property developments or for general corporate purposes. These trust financing loans have a term ranging from one to three years. As of 30 June 2017, we had CNY16.7 billion (US\$2.5 billion) of trust financing loans outstanding.

Interest

Our trust financing loans bear interest rates ranging from 4.75% to 13.18%. Interest payments are payable annually or quarterly and must be made on each payment date as provided in the particular loan agreement.

Guarantee and security

The trust financing loans are guaranteed by the Company and are secured by capital stock and/ or land use rights or other assets of our PRC subsidiary.

Guarantees for Joint Ventures and Associates

We have provided guarantees for certain bank facilities and other financing arrangements granted to our joint ventures and associate for project development purposes. Such guarantees are limited to our proportionate interests in such joint ventures and associates. See “Related Party Transactions” and the relevant note to our audited consolidated financial information as of and for the six months ended 30 June 2017 included in this offering memorandum.

Finance Lease

In August 2016, a subsidiary of the Company, as the lessee, entered into an aircraft rental agreement with an independent third party under a financial lease agreement. Under the agreement, the lessee leased an aircraft for an agreed term of four years commencing 15 September 2016. Upon the maturity date of the lease, the lessee has an option to purchase the aircraft for a consideration of CNY356,976,000.

The 2022 Notes

On 13 January 2017, the 2022 Notes Issuer issued US\$265,000,000 in aggregate principal amount of the Original 2022 Notes. On 20 January 2017, the 2022 Notes Issuer further issued US\$460,000,000 in aggregate principal amount of the Additional 2022 Notes, which were consolidated and form a single series with the Original 2022 Notes. The 2022 Notes Issuer has lent the gross proceeds of the 2022 Notes, without any deduction, to R&F HK on 13 January 2017 and 20 January 2017 in the form of an intercompany loan, respectively. As the date of this offering memorandum, a total principal amount of US\$725,000,000 of the 2022 Notes remains outstanding.

The 2018 Notes

On 13 October 2017, the 2018 Notes Issuer issued US\$600,000,000 in aggregate principal amount of the Original 2018 Notes. On 24 October 2017, the 2018 Notes Issuer further issued US\$200,000,000 in aggregate principal amount of the Additional 2018 Notes, which were consolidated and form a single series with the Original 2018 Notes. The 2018 Notes Issuer has lent the gross proceeds of the 2018 Notes, without any deduction, to R&F HK on 13 October

2017 and 24 October 2017 in the form of an intercompany loan, respectively. As of the date of this offering memorandum, a total principal amount of US\$800,000,000 of the 2018 Notes remains outstanding.

ICBC Loan

On 7 July 2017, R&F HK entered into a loan agreement with Industrial and Commercial Bank of China (Asia) Limited for a loan in an aggregate amount of HK\$1,200.0 million. As of the date of this offering memorandum, the entire principal amount of the loan was outstanding.

Interest

The principal amount outstanding under the loan bears interest at 2.0% plus the applicable HIBOR per annum. Interest payments are payable monthly unless otherwise agreed between R&F HK and the lender.

Maturity

The entire amount of the loan is due in full 12 months from the date of the agreement.

Events of default

The loan contains certain customary events of default, including non-payment, material adverse change and breach of the terms of the loan agreement. The lender of the loan is entitled to terminate the agreement, demand immediate repayment of the loan and to exercise its rights under the loan agreement upon the occurrence of an event of default.

Ever Credit Loan

On 14 August 2017, R&F HK entered into a facility agreement with Ever Credit Limited for a loan facility in an aggregate amount of HK\$1,000.0 million. The proceeds of the loan would be used toward funding our acquisition of land properties located in London, the United Kingdom. As of the date of this offering memorandum, the entire principal amount of the loan facility was outstanding.

Interest

The principal amount outstanding under the loan facility bears interest at 9% per annum. Interest payments are payable monthly.

Maturity

The loan is repayable in three months from the date of utilization.

Events of default

The loan contains certain customary events of default, including non-payment, material adverse change and breach of the terms of the loan agreement. The lender of the loan is entitled to terminate the agreement, demand immediate repayment of the loan and to exercise its rights under the loan agreement upon the occurrence of an event of default.

CMB International Loan

On 10 October 2017, our wholly-owned subsidiary, Trillion Glory Limited, entered into a loan agreement with, among others, CMB International Finance Limited as arranger, and Wing Lung Bank Limited as facility agent and security agent, for a loan in the aggregate principal amount of US\$650.0 million. The proceeds of the loan would be used towards funding our acquisition of hotels and commercial property from Dalian Wanda Commercial Properties Co., Ltd. See “Summary – Recent Developments – Dalian Wanda Hotel Acquisition” in this offering memorandum for more details. As of the date of this offering memorandum, the entire principal amount of the loan is outstanding.

Interest

The principal amount outstanding under the loan bears interest at 8.5% per annum. Interest payments are payable quarterly.

Maturity

The loan is repayable in installments. The final repayment date is 24 months from the date of utilization of the loan, which may be extended in accordance with the loan agreement.

Events of Default

The loan contains certain customary events of default, including non-payment, material adverse change, change of control and breach of the terms of the loan agreement. The lenders of the loan are entitled to terminate the agreement, demand immediate repayments of the loan and/or exercise or direct Wing Lung Bank, as the security agent, to exercise its rights under the loan agreement upon the occurrence of an event of default.

Guarantee

The loan is guaranteed by R&F HK and Noble Ease Limited.

China CITIC Bank Loan

On 24 October 2017, our wholly-owned subsidiary, Vauxhall Square (Nominee 1) Limited, entered into a loan agreement with China CITIC Bank International Limited for a loan in the aggregate principal amount of HK\$835.0 million. The proceeds of the loan would be used towards funding our London Vauxhall Project, a property development project in London, the United Kingdom. See “Business – Details of Our Property Developments” for more details. As the date of this offering memorandum, the entire principal amount of the loan was outstanding.

Interest

The principal amount outstanding under the loan bears interest at 4.25% plus the applicable HIBOR per annum. Interest payments are payable quarterly.

Maturity

The loan is repayable in full 24 months after the date of utilization of the loan, which may be extended in accordance with the loan agreement.

Events of Default

The loan contains certain customary events of default, including non-payment, material adverse change, change of control and breach of the terms of the loan agreement. The lender of the loan is entitled to terminate the agreement, demand immediate repayments of the loan and to exercise its rights under the loan agreement upon the occurrence of an event of default.

Guarantee

The loan is guaranteed by R&F HK and one of our wholly-owned subsidiaries, R&F Properties VS (UK) Co., Ltd.

Certain Bank Deposit Secured Indebtedness

R&F HK enters into SBLC backed loan agreements from time to time. As of the date of the offering memorandum, R&F HK has SBLC backed loans in the aggregate amount of US\$654.8 million. These loans have customary covenants. The principal amounts outstanding under these SBLC backed loans generally bear interest at floating rates calculated by reference to the London Interbank Offer Rate.

Guarantees to Joint Venture

On 23 November 2016, we entered into a commitment letter (the “First Commitment Letter”) as a guarantor, pursuant to which we agreed to provide a corporate guarantee in favor of the Bohai Bank Co., Limited (Beijing Branch) (“Bohai Bank”) for 25% of the repayment obligations of Tianjin Jinnan Xincheng Real Estate Development Co., Ltd. (天津津南新城房地產開發有限公司) (“Tianjin Jinnan”), which is proportional to our 25% indirect equity interest in Tianjin Jinnan, under an entrusted loan agreement for the principal amount of CNY4.5 billion (together with all interests, penalties, fees and other costs).

On 28 March 2017, we entered into another commitment letter (the “Second commitment Letter”), pursuant to which we agreed to provide a corporate guarantee in favor of Bohai Bank for 25% of the repayment obligations of Tianjin Jinnan under a loan agreement for the principal amount of CNY3.0 billion (together with all interests, penalties, fees and other costs).

We did not receive any fee or income for providing the corporate guarantees pursuant to the First Commitment Letter and the Second Commitment Letter. The terms and conditions of the entrusted loan agreement for the CNY4.5 billion loan and the loan agreement for the CNY3.0 billion loan were both negotiated on an arm’s length basis. The CNY4.5 billion and CNY3.0 billion loans are used by Tianjin Jinnan to finance the construction cost of its property project in Tianjin.

TERMS AND CONDITIONS OF THE NOTES

The following (subject to amendment, and other than the words in italics) is the text of the terms and conditions of the Notes which will appear on the reverse of each of the definitive certificates evidencing the Notes:

The issue of the US\$500,000,000 in aggregate principal amount of 5.875 per cent. Senior Notes due 2023 (the “**Notes**” and any Additional Notes issued in accordance with Condition 16 and consolidated and forming a single series therewith) of Easy Tactic Limited 怡略有限公司 (the “**Issuer**”) was authorised by the resolutions of the Board of Directors of the Issuer passed on or about November 2017. The Notes are jointly and severally guaranteed by R&F Properties (HK) Company Limited (the “**R&F HK**”) and each of the other Subsidiary Guarantors (collectively, the “**Subsidiary Guarantors**”). Each subsidiary of Guangzhou R&F Properties Co., Ltd. (the “**Company**”) that in the future provides a “**JV Subsidiary Guarantee**” (as defined herein) is referred to as a “**JV Subsidiary Guarantor**”. The giving of the Subsidiary Guarantees (as defined below) has been authorised by resolutions of the board of directors of R&F HK passed on or about 10 November 2017 and the board of directors of each of the other Subsidiary Guarantors passed on or about 10 November 2017. The Notes are constituted by a trust deed dated on or about 17 November 2017 (as amended and/or supplemented from time to time, the “**Trust Deed**”) made among the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and Citicorp International Limited as trustee for and on behalf of the Holders (the “**Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees under the Trust Deed) and as security trustee for and on behalf of the Holders (the “**Security Trustee**”, which term shall, where the context so permits, include all other persons for the time being acting as security trustee or security trustees under the Trust Deed, the Charge Over Account and the Security Documents) and are subject to the paying agency agreement dated on or about 17 November 2017 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) made among the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the Trustee, Citibank, N.A., London Branch as principal paying and transfer agent (the “**Principal Agent**”) and Citigroup Global Markets Deutschland AG as registrar (the “**Registrar**”) and the paying agents and transfer agents appointed under it, including any paying agents and transfer agents required to comply with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed (each a “**Paying Agent**” or a “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”). References to the “**Principal Agent**”, the “**Registrar**” and the “**Agents**” below are references to the principal agent, registrar and the agents for the time being for the Notes.

The Notes also have the benefit of (i) a keepwell deed dated on or about 17 November 2017 (the “**Keepwell Deed**”) entered into by the Company, the Issuer, R&F HK and the Trustee and (ii) a deed of equity interest purchase undertaking dated on or about 17 November 2017 (the “**Equity Interest Purchase Undertaking**”) entered into by the Company, R&F HK and the Trustee. The Keepwell Deed has been authorised by resolutions of the board of directors of the Company passed on or about 10 November 2017, the board of directors of R&F HK passed on or about 10 November 2017 and the board of directors of the Issuer passed on or about 10 November 2017. The Equity Interest Purchase Undertaking was authorised by resolutions of the board of directors of the Company passed on or about 10 November 2017 and the board of directors of R&F HK passed on or about 10 November 2017.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Intercreditor Agreement. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Intercreditor Agreement will be available for inspection at the specified office of the Principal Agent. The Holders are entitled to

the benefit of, and are bound by, and are deemed to have notice of all provisions of the Trust Deed and the Intercreditor Agreement and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

1 Status, Form and Denomination

(A) Status

- (1) The Notes constitute direct, unsubordinated, unconditional and secured obligations of the Issuer and the Notes shall, save for exceptions as may be provided by mandatory provisions of applicable law, at all times rank *pari passu* and without preference or priority among themselves.
- (2) The Subsidiary Guarantee of R&F HK and each of the other Subsidiary Guarantors constitutes a general obligation of such Person, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), at all times rank *pari passu* with all of the other present and future unsecured, unconditional and unsubordinated obligations of such Person.
- (3) If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 6(G), be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor, and at all times rank *pari passu* with all of the other present and future unsecured, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor.

(B) Form and denomination

The Notes are issued in registered form without coupons attached in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. A Note certificate (each a “**Certificate**”) will be issued to each Holder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Holders which the Issuer will procure to be kept by the Registrar.

Upon issue, the Notes will be represented by a global certificate (the “Global Certificate”), deposited with, and registered in the name of a nominee for, a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”).

Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

So long as the Notes are represented by the Global Certificate and the rules of Euroclear and Clearstream so permit, transfers of interests in the Notes through the relevant clearing systems shall be in principal amounts of at least US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will be traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”) in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST.

2 Title

Title to the Notes passes only by transfer and registration in the register of Holders as described in Condition 3. The Person whose name is entered in the Register as the Holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the Holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**Holder**” means the Person in whose name a Note is registered or in the case of a joint holding, the first named thereof.

3 Transfers of Notes; issue of Certificates

(A) Register

The Issuer will cause to be kept at the specified office of the Registrar outside the United Kingdom and in accordance with the terms of the Agency Agreement a register on which shall be entered the names and addresses of the Holders and the particulars of the Notes held by them and of all transfers of the Notes (the “**Register**”). Each Noteholder shall be entitled to receive only one Certificate in respect of its entire holding of Notes.

(B) Transfer

Subject to the Agency Agreement, a Note may be transferred by delivery of the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed by the Holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Agents. No transfer of a Note will be valid unless and until entered on the Register.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of Euroclear and Clearstream.

(C) Delivery of new certificates

Each new Certificate to be issued upon a transfer of Notes will, within five business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the duly completed form of transfer, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the Holder entitled to the Notes (but free of charge to the Holder) to the address specified in the form of transfer.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Certificate is issued is to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred (but free of charge to the Holder) to the address of such Holder appearing on the Register.

For the purposes of this Condition 3, “**business day**” shall mean a day other than a Saturday or Sunday on which banks are open for business in the city in which the specified office of the Registrar or the relevant Agent, as the case may be, with whom a Certificate is deposited in connection with a transfer is located.

(D) Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity and/or security as the Issuer or any of such Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

(E) Closed periods

No Noteholder may require the transfer of a Note to be registered: (i) during the period of seven days ending on (and including) the dates for payment of any principal (or premium) pursuant to the Conditions; (ii) during the period of 15 days prior to (and including) any date on which the Notes may be redeemed by the Issuer at its option pursuant to Condition 5(B), Condition 5(F) or Condition 5(G) or (iii) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 9(A)).

(F) Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar. The Registrar and the Transfer Agents may also promulgate any other regulations that they may deem necessary for the registration and transfer of the Notes. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who asks for one.

4 Guarantee and Security

(A) Subsidiary Guarantees

R&F HK and each of the other Subsidiary Guarantors has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. Each Subsidiary Guarantor’s obligations in that respect (each a “**Subsidiary Guarantee**”) are contained in the Trust Deed.

As of the Original Issue Date, the initial Subsidiary Guarantors are R&F HK, Trillion Chance Limited (兆運有限公司), R&F Properties (BVI) Co., Ltd (富力地產(BVI)有限公司), Pex International Limited, Henic International Limited, Palace View Investments Limited (軒景投資有限公司), Peace Extend Investments Limited (安弘投資有限公司), Perfect City Investments Limited (佳城投資有限公司), Kingplan International Limited, Ease Glory International Limited (逸榮國際有限公司), Project Charter Enterprises Limited, Smart Keen International Limited (智建國際有限公司), Jenic International Limited, East Global Industries Limited, General Light Investments Limited (普明投資有限公司), Grandcharm International Limited, Link City Limited (聯城有限公司), Manpress International Limited, Maxview Investments Limited (盛景投資有限公司), Silver Mac Energy Investment Ltd., O&C Property Development Ltd., Ucharm International Limited, Easycross International Limited, Globe Times Investments Limited (宇時投資有限公司), Kilowell International Limited, Central

Hope Limited, Lancaster-Toprich Limited, Gain Choice Holdings Limited (景擇控股有限公司), Jinbo Investments Limited (晉博投資有限公司), Radiant Ace Global Limited (耀峰環球有限公司), City Step Investments Limited (城階投資有限公司), Pilot Star Investments Limited (領星投資有限公司), Skill Smart Investments Limited (巧明投資有限公司), Profit Range Holdings Limited (潤巒控股有限公司), Iconic Victor Limited, Lion Horizon Limited, Jubilee Vantage Limited, R&F (HK) Soccer Limited (富力(香港)足球有限公司) (formerly known as Vantage Merit Limited), Precision Trade Holdings Limited, R&F Development SDN BHD, Rich Victor Investments Limited (富凱投資有限公司), Yield Charm Investments Limited (益創投資有限公司), Value Success Investments Limited (益成投資有限公司), Celestial Union Limited (協天有限公司), Charm Trade Limited (昌貿有限公司), R&F Mega Realty SDN BHD and R&F Development Pte. Ltd.

Restricted Subsidiaries of the Company organized outside the PRC as of the Original Issue Date that are not Subsidiary Guarantors or JV Subsidiary Guarantors on the Original Issue Date are collectively referred to as the “**Initial Offshore Non-Guarantor Subsidiaries**”. The Initial Offshore Non-Guarantor Subsidiaries will not guarantee the obligations of the Issuer under the Trust Deed or the Notes on the Original Issue Date.

The Company shall cause each of its future Subsidiaries (other than the Issuer, the PRC Subsidiaries, Exempted Finance Subsidiaries, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable and, in any event, within 30 days after such Person becomes a Restricted Subsidiary or ceases to be an Exempted Finance Subsidiary, Exempted Subsidiary or Listed Subsidiary, to execute and deliver to the Security Trustee a deed supplemental to the Trust Deed pursuant to which such Restricted Subsidiary will, jointly and severally, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes; *provided that* each JV Subsidiary Guarantee will be limited to the JV Entitlement Amount of the relevant JV Subsidiary Guarantor. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date, other than a JV Subsidiary Guarantor, is referred to as a “**Future Subsidiary Guarantor**” and, upon execution of the applicable supplemental deed to the Trust Deed, will be a “**Subsidiary Guarantor**”.

Notwithstanding the foregoing paragraph, the Company may elect to have any existing or future Restricted Subsidiary (and its Restricted Subsidiaries) organised outside the PRC (“**Offshore Restricted Subsidiary**”) not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary (the “**New Offshore Non-Guarantor Subsidiary**” and, together with the Initial Offshore Non-Guarantor Subsidiaries, any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries, the “**Offshore Non-Guarantor Subsidiaries**”), *provided that* after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries) do not account for more than 20% of Total Assets.

If, at any time, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Offshore Non-Guarantor Subsidiaries and cause such Offshore Non-Guarantor Subsidiaries to execute and deliver to the Security Trustee a supplemental trust deed to the Trust Deed pursuant to which such Offshore Non-Guarantor Subsidiaries will guarantee the payment of the Notes, (ii) designate one or more Offshore Non-Guarantor Subsidiaries as Unrestricted Subsidiaries and/or (iii) cause one or more Offshore Non-Guarantor Subsidiaries to pay dividends or make distributions on or with

respect to their respective Capital Stock pro rata to their respective shareholders or on a basis more favourable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of these Conditions and the Trust Deed and such that the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as an Offshore Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly, and in any event no later than 30 days, after the date any consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) which show that the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries) exceed 20% of Total Assets.

The Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be released (on the occurrence of the events set out in paragraphs (i) and (ii) below, only in relation to the affected Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and on the occurrence of the event set out in paragraph (iii) below, only in relation to the affected Subsidiary Guarantor):

- (i) if, in relation to any Subsidiary Guarantor (other than R&F HK) or any JV Subsidiary Guarantor, such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is disposed of in accordance with these Conditions and the Trust Deed, *provided that*: (a) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations (if any) in respect of any other Indebtedness of the Issuer, the Company or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by these Conditions or the Trust Deed;
- (ii) if, in relation to any Subsidiary Guarantor (other than R&F HK) or any JV Subsidiary Guarantor, the Issuer designates such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, to be an Unrestricted Subsidiary in accordance with these Conditions and the Trust Deed;
- (iii) upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee (as described below);
- (iv) upon a defeasance as set out in Condition 7;
- (v) if all amounts due and payable under the Notes, the Trust Deed and the Agency Agreement have been paid in full; or
- (vi) if a Subsidiary Guarantor (other than R&F HK) or JV Subsidiary Guarantor becomes a New Offshore Non-Guarantor Subsidiary in compliance with these Conditions and the terms of the Trust Deed.

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 Security Trustee or the Holders until the Issuer has delivered to the Security Trustee an Officers' Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by these Conditions and the Trust Deed.

Notwithstanding any other provisions under these Conditions and the Trust Deed, for so long as any of the Notes remain outstanding, R&F HK shall at all times be designated and construed as a Subsidiary Guarantor, save that R&F HK may be released from its Subsidiary Guarantee on occurrence of the events set out in paragraphs (iv) or (v) above.

A Subsidiary Guarantee given by a Subsidiary Guarantor (other than R&F HK) may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is of no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor so that such Subsidiary Guarantor becomes a JV Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- (a) concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee or the Security Trustee, as applicable:
 - (i) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Subsidiary of such JV Subsidiary Guarantor that is not a PRC Subsidiary, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of the JV Subsidiary Guarantor;
 - (ii) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution of such JV Subsidiary Guarantor to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (iv) a legal opinion by a law firm of recognised international standing confirming that under English law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock; and
- (c) as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of
 - (i) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (ii) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (iii) requiring the

Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the case of a Subsidiary Guarantor (other than R&F HK) with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Offshore Restricted Subsidiaries, and upon such release such Subsidiary Guarantor and its Offshore Restricted Subsidiaries will become New Offshore Non-Guarantor Subsidiaries (such that they will no longer Guarantee the Notes) and (b) instruct the Security Trustee to (i) discharge the pledge of the Capital Stock granted by each such New Offshore Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor Pledgor over the shares it owns in each such New Offshore Non-Guarantor Subsidiary (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), *provided that* after giving effect to the release of such Subsidiary Guarantees, the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries (excluding any Exempted Finance Subsidiaries, any Exempted Subsidiaries, and any Listed Subsidiaries) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (x) prohibiting the Company or any Restricted Subsidiary from releasing such Subsidiary Guarantee or (y) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company or any Restricted Subsidiary by such Subsidiary Guarantor.

Notwithstanding the foregoing paragraphs, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in these Conditions and the Trust Deed, including, without limitation, Condition 6(B), Condition 6(D) and Condition 6(I).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with Condition 6(I).

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Security Trustee or the Holders until the Issuer has delivered to the Security Trustee an Officers' Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by these Conditions and the Trust Deed.

(B) JV Subsidiary Guarantees

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date or any entity that is incorporated in any jurisdiction other than the PRC and in respect of which the Company or any Restricted Subsidiary (x) in the case of a Restricted Subsidiary, is proposing to divest, whether through the sale of existing Capital Stock or the issuance of Capital Stock, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) in the case of any other entity, is proposing to purchase the Capital Stock of such entity such that it becomes a Subsidiary and designate such entity as a Restricted Subsidiary, the Company may, concurrently with or as soon as practicable and, in any event, within 30 days after the

consummation of such sale or, issuance or purchase, cause a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee to be provided by (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organised in any jurisdiction other than the PRC (other than any Exempted Finance Subsidiaries, any Exempted Subsidiaries and any Listed Subsidiaries) to guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes, if the following conditions are satisfied or complied with:

- (a) concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Security Trustee:
 - (i) a duly executed guarantee of such JV Subsidiary Guarantor (a “JV Subsidiary Guarantee”) and each Subsidiary of such JV Subsidiary Guarantor that is not organised under the laws of the PRC, which provides, among other things, that the aggregate claims of the Security Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor;
 - (ii) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (iii) an Officers’ Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (iv) a legal opinion by a law firm of recognised international standing confirming that under English law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock; and
- (c) as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (ii) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant JV Subsidiary Guarantor (including where such sale results in the relevant JV Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Trust Deed, including, without limitation, Condition 6(B), Condition 6(D) and Condition 6(I).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with Condition 6(I).

No release of a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Security Trustee or the Holders until the Issuer has delivered to the Security Trustee an Officers' Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by the Trust Deed.

(C) Security

(1) Security

On or prior to the Original Issue Date:

- (i) the Company has, for, *inter alia*, the benefit of the holders of the Notes, caused the holder of the Capital Stock of the Issuer and otherwise the initial Subsidiary Guarantor Pledgors to charge in favour of, *inter alia*, the Security Trustee the Capital Stock of: (a) the Issuer (the “**Issuer Share Charge**”); and (b) the initial Subsidiary Guarantors, other than that of R&F HK (the “**Subsidiary Share Charge**” and, together with the Issuer Share Charge, the “**Share Charges**”); and
- (ii) the Issuer has, for the benefit of the holders of the Notes, charged in favour of the Security Trustee the US dollar account (the “**Interest Reserve Account**”) established in the name of the Issuer with Citibank, N.A. (the “**Account Bank**” which term shall, where the context so permits, include all other persons for the time being acting as account bank under the Account Bank Agreement) (the “**Charge Over Account**”),

in each case, in order to secure the obligations of, *inter alia*, the Issuer under the Notes and the Trust Deed and of the initial Subsidiary Guarantor Pledgors under the Subsidiary Guarantees in accordance with, and subject to, the terms of the Trust Deed and the Intercreditor Agreement (in the case of the Share Charges), and, in the case of the Share Charges, subject to Permitted Liens and *pari passu* sharing described in Condition 4(C)(2).

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

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

In addition, the Company shall, for the benefit of, *inter alia*, the holders of the Notes, cause each Subsidiary Guarantor, other than a JV Subsidiary Guarantor, to pledge the Capital Stock of any Person that becomes a Subsidiary Guarantor after the Original Issue Date and which is directly owned by such Subsidiary Guarantor, as soon as practicable and in any event within 30 days after such Person becomes a Subsidiary Guarantor, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of, *inter alia*, the Issuer under the Notes and the Trust Deed and the obligations of the Subsidiary Guarantor Pledgors under the Subsidiary Guarantees, in the manner described above. Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “**Future Subsidiary Guarantor Pledgor**” and, upon giving such pledge, will be a “**Subsidiary Guarantor Pledgor**”.

If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor shall be pledged to secure the obligations of, *inter alia*, the Company under the Notes and the Trust Deed and the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, no JV Subsidiary Guarantor will be obliged to provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favour of, *inter alia*, the Security Trustee.

The Company shall also, as soon as practicable, grant a charge of the Capital Stock of R&F HK in favour of, *inter alia*, the Security Trustee (the “**R&F HK Share Charge**”) and perfect the security created and given thereunder following any change in law or regulation in the PRC on or after the Original Issue Date, the effect of which means that (i) the R&F HK Share Charge may be granted without unreasonable cost or burden to the Company or R&F HK and (ii) the R&F HK Share Charge will create valid, binding and enforceable obligations on the Company.

The benefit of the Liens evidenced or created by the Security Documents in accordance with Condition 4(C)(1)(i) are shared by the holders of the Notes, the 2022 Notes, the 2018 Notes and any other Permitted Pari Passu Secured Indebtedness (as defined below) (or their respective representatives) pursuant to the terms of the Intercreditor Agreement, as described in Condition 4(C)(3) below.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Trust Deed, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

(2) *Permitted Pari Passu Secured Indebtedness*

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Liens for the benefit of, *inter alia*, the Holders (including Additional Notes issued in accordance with Condition 16) to secure Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any Exempted Finance Subsidiary and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any Exempted

Finance Subsidiary and any such Pari Passu Subsidiary Guarantee, “**Permitted Pari Passu Secured Indebtedness**”); *provided that* (a) the Issuer, the Company, such Subsidiary Guarantor or such Exempted Finance Subsidiary was permitted to Incur such Indebtedness under Condition 6(A); (b) except in the case of Additional Notes, the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to in Condition 4(C)(3); (c) the agreement in respect of such Indebtedness contains provisions with respect to releases of the Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Issuer, the Company, such Subsidiary Guarantor and such Exempted Finance Subsidiary than the provisions of the Trust Deed and the Security Documents; and (d) the Company and such Subsidiary Guarantor Pledgor promptly deliver to the Trustee and the Security Trustee an Opinion of Counsel and an Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, each in form and substance satisfactory to the Trustee and the Security Trustee. The Trustee and the Security Trustee are permitted and authorised, without the consent of any Holder, to enter into any amendments or supplements to the Security Documents, the Intercreditor Agreement (if applicable) or the Trust Deed and to take any other action necessary or desirable to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this Condition 4(C)(2) (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to in Condition 4(C)(3) to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries are not permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of the Holders by way of an Extraordinary Resolution.

(3) *Intercreditor Agreement*

Pursuant to the terms of an intercreditor agreement dated as of 24 January 2013, as such may be further amended, modified or supplemented from time to time (the “**Intercreditor Agreement**”), the parties thereto agreed, among other things, that (a) Citicorp International Limited as the collateral agent (the “**Collateral Agent**”), holds the Collateral on behalf of the Secured Parties (as defined below); (b) the Secured Parties shall share equal priority and *pro rata* entitlement in and to the Collateral; (c) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (d) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

The Security Trustee, as representative of the Holders, will, without requiring any instruction or consent from or notice to the Holders, accede to the Intercreditor Agreement by entering into a supplement to the Intercreditor Agreement on or about the Original Issue Date.

Prior to the Incurrence of any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement to include the holders of such Permitted Pari Passu Secured Indebtedness as parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the terms of the Intercreditor Agreement (and any supplements, amendments or modifications thereto), the execution by the Trustee and the Security Trustee of the supplement to the Intercreditor Agreement and any future intercreditor agreement required under the Trust Deed, in each case in such form as may be approved by the Trustee and the Security Trustee and without the need for any further consent or instruction of or notice to the Holders in relation thereto.

The Collateral Agent is entitled to enter into business transactions with the Issuer, R&F HK and the Company and any entity related (directly or indirectly) to the Issuer, R&F HK or the Company without accounting for any profit. The Collateral Agent shall not be responsible for the performance by any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice to the contrary, the Collateral Agent shall be entitled assume that the same are being duly performed. The rights and obligations of the Collateral Agent shall be further described in the Intercreditor Agreement.

(4) Enforcement of Security

The Collateral Agent has agreed to act on behalf of the Security Trustee, the 2022 Notes Trustee, the 2022 Notes Security Trustee, the 2018 Notes Trustee, the 2018 Notes Security Trustee and the holders of any Permitted Pari Passu Secured Indebtedness (or their representatives or any trustee acting on their behalf) (collectively, the “**Secured Parties**”) and to follow the instructions of the Secured Parties subject to, and in accordance with, the terms of the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement provides, among other things, that each Secured Party may notify the Collateral Agent in writing that such Secured Party intends to initiate enforcement action against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the other Secured Parties have not agreed to initiate enforcement, then 30 days after the non-enforcing parties have been notified of the intent to initiate enforcement action against the Collateral, the enforcing party may notify the Collateral Agent in writing and shall be entitled to initiate enforcement action in accordance with the terms of the Intercreditor Agreement; *provided that* all notification with respect to the further timing and manner of any action following such enforcement action against the Collateral shall be given in writing by the Secured Parties.

All payments received and all amounts held by the Collateral Agent pursuant to, and in accordance with, the Intercreditor Agreement shall be applied as follows:

- (i) *first*, to the Collateral Agent and the Security Trustee, the Trustee, the 2022 Notes Trustee, the 2022 Notes Security Trustee, the 2018 Notes Trustee, the 2018 Notes Security Trustee and the representatives of the holders of any Permitted Pari Passu Secured Indebtedness (in each case, acting for themselves) on a *pari passu* and *pro rata* basis to the extent necessary to reimburse such parties for any expenses incurred in connection with the collection or distribution of such amounts held or realised or in connection with expenses incurred in enforcing their remedies under the Intercreditor Agreement and/or the relevant security documents referred to therein and/or preserving the Collateral and all amounts for which such parties are lawfully entitled thereto;

- (ii) *second*, to be applied for the benefit of the Holders and the holders of the 2022 Notes, the holders of the 2018 Notes and, to the extent applicable, the holders of any further Permitted Pari Passu Secured Indebtedness on a *pari passu* basis; and
- (iii) *third*, any surplus remaining after such payments shall be paid to the Issuer or the Subsidiary Guarantor Pledgors or to whomsoever may be lawfully entitled thereto.

Subject to the terms of the Intercreditor Agreement, the Security Trustee and/or the Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or pre-funding to its satisfaction. In addition, the Security Trustee's and/or the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realisation of the Security Trustee's or the Collateral Agent's (as the case may be) Liens on the Collateral. None of the Security Trustee, the Collateral Agent or any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness, title, adequacy or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realise upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

This Condition 4(C)(4) shall be subject to any amendments to the Security Documents or the Trust Deed to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with Condition 4(C)(2).

(5) *Discharge of Security*

The security created in respect of the Interest Reserve Account granted under the Charge Over Account and, subject to the terms of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents shall be discharged as soon as reasonably practicable upon the occurrence of the following:

- (i) all amounts due and payable under the Notes, the Trust Deed and the Agency Agreement have been paid in full;
- (ii) a defeasance as set out in Condition 7;
- (iii) with respect to such security, dispositions of the Collateral, in compliance with Condition 6(D) or Condition 6(I) or in accordance with Condition 6(J);
- (iv) with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor (other than R&F HK) in accordance with the terms of the Trust Deed;

- (v) in connection with and upon execution of a JV Subsidiary Guarantee, all pledges of Capital Stock granted by the JV Subsidiary Guarantor and its direct and indirect Subsidiaries shall be released; or
- (vi) with respect to a Subsidiary Guarantor (other than R&F HK) that becomes a New Offshore Non-Guarantor Subsidiary in compliance with these Conditions and the terms of the Trust Deed, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the Capital Stock it owns in such New Offshore Non-Guarantor Subsidiary.

5 Redemption and purchase

(A) *Maturity*

Unless previously redeemed, or purchased and cancelled as provided herein, the Issuer will redeem each Note at its principal amount on 13 February 2023 (the “**Maturity Date**”). The Issuer may not redeem the Notes at its option prior to that date except as provided in Conditions 5(B), 5(F) and 5(G) below (but without prejudice to Condition 11).

(B) *Redemption for taxation reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days’ notice to the Holders in accordance with Condition 17 (which notice shall be irrevocable) redeem all, but not some only, of the Notes at a redemption price equal to 100% of their principal amount (together with interest accrued and unpaid to the date fixed for redemption and including any additional amounts as referred to in Condition 10) if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer, a Surviving Person or R&F HK or any other Subsidiary Guarantor or any JV Subsidiary Guarantor has or will become obliged to pay additional amounts as referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer, such Surviving Person, the Company, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor is organised or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “**Relevant Jurisdiction**”) or any change in the general application or official interpretation of such laws or regulations (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective (a) with respect to the Issuer, R&F HK or any other initial Subsidiary Guarantor, on or after the Original Issue Date, or (b) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person (as the case may be) and (ii) such obligation cannot be avoided by the Issuer, such Surviving Person, the Subsidiary Guarantor or the JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, such Surviving Person, R&F HK or other such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the giving of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer, such Surviving Person, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised standing with respect to tax matters and acceptable to the Trustee to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then

effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

(C) Purchases

The Issuer, the Company or any of the Company's Subsidiaries may at any time and from time to time purchase Notes at any price in the open market or otherwise

(D) Cancellation

All Notes which are redeemed or purchased by the Issuer, the Company or any of the Company's Subsidiaries will forthwith be cancelled. Certificates in respect of all Notes cancelled will be forwarded to or to the order of the Registrar and such Notes may not be reissued or resold.

(E) Change of control

Upon the occurrence of a Change of Control Triggering Event, each Holder shall have the right to require that the Issuer to make an offer to repurchase all, but not some only, of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the date of repurchase (without prejudice to the right of Holders of record on the relevant Interest Record Date to receive interest due on the relevant Interest Payment Date) and any additional amounts.

Within 30 days following any Change of Control Triggering Event, the Issuer will give notice to the Holders in accordance with Condition 17 with a copy to the Trustee (the "**Change of Control Offer**") stating:

- (1) that a Change of Control Triggering Event has occurred and that each Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the date of purchase (subject to the right of Holders of record on the relevant Interest Record Date to receive interest on the relevant Interest Payment Date);
- (2) the circumstances and relevant facts regarding such Change of Control Triggering Event;
- (3) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is given); and
- (4) the instructions, as determined by the Issuer, consistent with this Condition 5(E), that a Holder must follow in order to have its Notes purchased. The Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Trust Deed applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of any securities laws or regulations and the rules of any stock exchange on which the Notes are listed from time to time in connection with the repurchase of notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations or stock exchange rules conflict with the provisions of this Condition 5(E), the Issuer will comply with the applicable securities laws and regulations and stock exchange rules and shall not be deemed to have breached its obligations under this Condition 5(E) by virtue of its compliance with such securities laws or regulations or stock exchange rules.

None of the Trustee or the Security Trustee shall be required to take any steps to ascertain whether a Change of Control Triggering Event or a Change of Control Offer or any event which could lead to a Change of Control Triggering Event or a Change of Control Offer has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. None of the Trustee or the Security Trustee shall be required to take any steps to ascertain whether the condition for the exercise of the rights of Holders in accordance with this Condition 5(E) has occurred. None of the Trustee or the Security Trustee shall be responsible for determining or verifying whether a Note is to be accepted for redemption under this Condition 5(E) and will not be responsible to Holders for any loss or liability arising from any failure by it to do so. None of the Trustee or the Security Trustee shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 5(E) and will not be responsible to Holders for any loss arising from any failure by it to do so.

(F) Make whole redemption

At any time prior to 17 November 2020, the Issuer may redeem the Notes, in whole but not in part only, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium plus accrued and unpaid interest, if any, to (but not including) the redemption date and any additional amounts.

None of the Trustee or the Security Trustee shall be responsible for calculating or verifying the redemption price payable pursuant to this Condition 5(F) or for determining or verifying whether a Note is to be accepted for redemption under this Condition 5(F) and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so.

(G) Optional redemption

At any time and from time to time on or after 17 November 2020, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve-month period beginning on 17 November of each of the years indicated below.

Period	Redemption Price
2020.	102.9375%
2021.	101.46875%

The Issuer will give not less than 30 days' nor more than 60 days' notice of any such redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (a) if the Notes are listed on any recognised securities exchange and/or are held through the clearing systems, in accordance with the procedures, as notified to it in writing by the Issuer, of the principal recognised securities exchange on which the Notes are listed or in accordance with the procedures of the clearing systems through which the Notes are held; or
- (b) if the Notes are not listed on any recognised securities exchange and are not held through the clearing systems on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate in its sole and absolute discretion, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If the Notes are to be redeemed in part only, the notice of redemption relating to such Notes will state the portion of the principal amount to be redeemed and a new Certificate shall, upon cancellation of the original Certificate, be issued to each relevant Holder to reflect the principal amount of its Notes not so redeemed. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption. The Trustee shall not be liable for relying on the procedures notified to it by the Issuer pursuant to clause (a) above of this Condition 5(G).

6 Covenants

(A) Limitation on indebtedness and preferred stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* (x) the Issuer, the Company, any Exempted Finance Subsidiary, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (y) any Non-Guarantor Subsidiary (other than the Issuer or an Exempted Finance Subsidiary) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (i) no Default has occurred and is continuing and (ii) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not

permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding Condition 6(A)(1), the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“**Permitted Indebtedness**”):

- (a) Indebtedness under (i) the Notes (excluding any Additional Notes issued in accordance with Condition 16), (ii) the Subsidiary Guarantees and (iii) the JV Subsidiary Guarantees (if any);
- (b) any *Pari Passu* Subsidiary Guarantee;
- (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided that* such Indebtedness of Restricted Subsidiaries (other than the Issuer, any Subsidiary Guarantor, any JV Subsidiary Guarantor and any Exempted Finance Subsidiary) shall be included in the calculation of Permitted Subsidiary Indebtedness;
- (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided that* (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this Condition 6(A)(2)(d); and (y) if the Issuer is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Notes, or if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Issuer or any other Subsidiary Guarantor or JV Subsidiary Guarantor is not the obligee, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- (e) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Company or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under Conditions 6(A)(1), 6(A)(2)(a), 6(A)(2)(b), 6(A)(2)(c), 6(A)(2)(h) or 6(A)(2)(o) in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which is used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees shall only be permitted under this Condition 6(A)(2)(e) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, or (y) in case the Indebtedness to be refinanced is subordinated

in right of payment to the Notes or the Subsidiary Guarantees or the JV Subsidiary Guarantees, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this Condition 6(A)(2)(e) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor;

- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (x) and (y) in this Condition 6(A)(2)(h) (I) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (II) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (III) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this Condition 6(A)(2)(h) (together with refinancings thereof, and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided*, however, that such Indebtedness is extinguished within five business days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this Condition 6(A),
 - (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under Conditions 6(A)(2)(c), 6(A)(2)(d), 6(A)(2)(f), 6(A)(2)(h), 6(A)(2)(n) or 6(A)(2)(s), or
 - (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this Condition;
- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this Condition 6(A)(2)(n) at any time outstanding does not exceed US\$50 million (or the Dollar Equivalent thereof);

- (o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30 million (or the Dollar Equivalent thereof);
- (p) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
- (q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this Condition 6(A)(2)(q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(r), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions or this Condition 6(A)(2)(q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person engaged in the Permitted Business (other than the Company or a Restricted Subsidiary), *provided that* the aggregate of all Indebtedness Incurred under this Condition 6(A)(2)(r) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(s), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;
- (s) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, *provided that* on the date of Incurrence of such Indebtedness, the aggregate principal amount outstanding of such Indebtedness permitted by this Condition 6(A)(2)(s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(t) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

- (t) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this Condition 6(A)(2)(t) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s) and 6(A)(2)(u) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets; and
 - (u) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this Condition 6(A)(2)(u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under Conditions 6(A)(2)(h), 6(A)(2)(q), 6(A)(2)(r), 6(A)(2)(s) and 6(A)(2)(t) and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such Conditions and this Condition 6(A)(2)(u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets.
- (3) For purposes of determining compliance with this Condition 6(A), in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described under the proviso in Condition 6(A)(1) and in Condition 6(A)(2), the Issuer, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness as one or more of such types.
 - (4) Notwithstanding any other provision of this Condition 6(A), the maximum amount of Indebtedness that may be Incurred pursuant to this Condition 6(A) 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 provided that such Indebtedness was permitted to be Incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so

long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(B) Limitation on restricted payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in Conditions 6(B)(1) to 6(B)(4) (both inclusive) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment,

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1), *provided, however*, this clause (b) shall not apply to any Restricted Payment consisting solely of dividends declared or paid in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company listed on the Stock Exchange, if, during any fiscal year of the Company, the aggregate amount of (x) any and all such dividends declared and paid on such Common Stock and (y) the consideration paid for all such repurchased Common Stock does not exceed 25% of the consolidated profit for the year of the Company calculated in accordance with GAAP for the fiscal year immediately prior to such fiscal year; or

- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after 1 January 2011, shall exceed the sum (without duplication) of:
- (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) since 1 January 2011 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
 - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
 - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made by the Company or a Restricted Subsidiary after the Measurement Date in any Person resulting from (w) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (x) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) to the extent that an Investment made after the Measurement Date was, or after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (A) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (B) the initial amount of such Investment, or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than

Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person or Unrestricted Subsidiary; plus

- (v) US\$30 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (I) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (II) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (III) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that is utilised for any such Restricted Payment will be excluded from Condition 6(B)(c)(ii), *provided further* that any item that has been excluded pursuant to Condition 6(B)(c)(ii) will not be excluded again as a result of the proviso in this Condition 6(B)(III);
- (IV) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from Condition 6(B)(c)(ii), *provided further* that any item that has been excluded pursuant to Condition 6(B)(c)(ii) will not be excluded again as a result of the proviso in this Condition 6(B)(IV);
- (V) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary that is not, directly or indirectly, Wholly-Owned by the Company payable, on a *pro rata* basis, or on a basis more favourable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (VI) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;

- (VII) the repurchase of Capital Stock of the Company by the Company in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$10 million (or the Dollar Equivalent thereof);
- (VIII) the repurchase, redemption or other acquisition of Capital Stock of the Company from employees, former employees, directors or former directors of the Company or any Restricted Subsidiary (or their estate or authorized representatives) upon the death, disability or termination of employment of such employees or directors pursuant to agreements or plans (including employment agreements and share option plans) approved by the board of directors of the Company in an aggregate amount not to exceed US\$1.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Company;
- (IX) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiaries held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under Condition 6(A)(2)(q);
- (X) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company, *provided that* any such cash payment shall not be for the purpose of evading this Condition 6(B) (as determined in good faith by the Board of Directors of the Company);
- (XI) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly-Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (1) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (2) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is not more than the Fair Market Value of such Capital Stock, or
- (XII) the declaration and payment of dividends on the Common Stock of the Company by the Company with respect to the fiscal year ended 31 December 2016, to the extent such amounts do not exceed 40% of the Company's net profits in such financial year determined in conformity with GAAP,

provided further that, in the case of Conditions 6(B)(II), 6(B)(III) and 6(B)(IV) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to Condition 6(B)(I) shall be included in calculating whether Condition 6(B)(c) has been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this Condition 6(B) will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an Independent Financial Advisor if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof), except with respect to any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payment set forth in Condition 6(B)(V) through Condition 6(B)(XI) and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (18) of the definition thereof)), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Condition 6(B) were computed, together with a copy of any fairness opinion or appraisal required by the Trust Deed.

(C) Limitation on dividend and other payment restrictions affecting restricted subsidiaries

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock issued in accordance with Condition 6(A) in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in

documentation governing Indebtedness requiring transactions between or among the Company and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) Condition 6(C)(1) does not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Trust Deed, the Security Documents or any Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in Condition 6(C)(1)(d) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or licence, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Trust Deed or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Conditions 6(A), 6(D) and 6(I);
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under Condition 6(A)(2)(h) or permitted under Conditions 6(A)(2)(n), 6(A)(2)(o), 6(A)(2)(p), 6(A)(2)(q), 6(A)(2)(s), 6(A)(2)(t) or 6(A)(2)(u) if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements

and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make any required payment on the Notes, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Company to make the required payments on the Notes, or (y) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee, *provided that* the Board of Directors is empowered to determine whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or
- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of these Conditions and the Trust Deed at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

(D) Limitation on sales and issuances of capital stock in restricted subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly-Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favourable to the Company and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly-Owned Restricted Subsidiary;

- (3) for the sale of all or part of the Capital Stock in a Restricted Subsidiary to a Trust Company Investor if permitted under, and made in accordance with, Condition 6(I);
- (4) for the sale of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, Condition 6(I);
- (5) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by Condition 6(B) if made on the date of such issuance or sale and *provided that* the Company applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 6(I), *provided further* that paragraph (v) of clause (16) of the definition of “Permitted Investment” shall not apply if such Restricted Payment would otherwise have been permitted under clause (16) of such definition; and
- (6) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 6(I).

(E) Limitation on issuances of guarantees by restricted subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness (“**Guaranteed Indebtedness**”) of the Issuer, the Company, any Exempted Finance Subsidiary or any Subsidiary Guarantor or JV Subsidiary Guarantor, unless: (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full; or (2) such guarantee and such Guaranteed Indebtedness are permitted by Conditions 6(A)(2)(c), 6(A)(2)(d), 6(A)(2)(m)(ii) (other than a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary or a guarantee by a Restricted Subsidiary of the Indebtedness of a Exempted Finance Subsidiary) or 6(A)(2)(s) (with respect to the Guarantee provided by any Non-Guarantor Subsidiary through the pledge of one or more bank accounts, deposits or other assets to secure (or the use of any guarantee or letter of credit or similar instrument to guarantee), directly, or indirectly, any Bank Deposit Secured Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor).

If the Guaranteed Indebtedness (a) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (b) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as the case may be, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantees or the

JV Subsidiary Guarantees, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

(F) Limitation on transactions with shareholders and affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) any Affiliate of the Company (each an “**Affiliate Transaction**”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favourable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or any Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate of the Company certifying that such Affiliate Transaction complies with this Condition 6(F) and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in Condition 6(F)(2)(a), an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

The foregoing limitation does not limit, and shall not apply to:

- (i) the payment of reasonable and customary regular fees and other compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;
- (ii) transactions between or among the Company and any of its Wholly-Owned Restricted Subsidiaries or between or among Wholly-Owned Restricted Subsidiaries of the Company;
- (iii) any Restricted Payment of the type described in Conditions 6(B)(1), 6(B)(2) or 6(B)(3) if permitted by Condition 6(B);
- (iv) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the Hong Kong Listing Rules, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

- (v) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (vi) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Restructuring, including, without limitation, transactions entered into for purposes of any reorganisation in connection with the Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Restructuring; and
- (vii) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the Restructuring, or any amendment, modification, extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the Restructuring and in compliance with the rules of the relevant Qualified Exchange.

In addition, the requirements of Condition 6(F)(2) shall not apply to (i) Investments (other than Permitted Investments) not prohibited by Condition 6(B), (ii) Investments in any Person made under clause (16) of the definition of “Permitted Investments”, *provided that* such Investment is on a *pro rata* basis (or on a basis more favourable to the Company or any Restricted Subsidiary, as the case may be, than on a *pro rata* basis) to the interest the Company or any Restricted Subsidiary has in such Person at the time of such Investment as compared to the other shareholders or partners of such Person, (iii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (iv) any transaction between or among any of the Company, a Wholly-Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly-Owned Restricted Subsidiary or between or among the Company or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided that* in the case of (iv), (x) such transaction is entered into in the ordinary course of business and (y) none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture is a Person described in clause (a) or (b) of the first paragraph of this Condition 6(F) (other than by reason of such shareholder or partner being a director or officer of such Restricted Subsidiary, Unrestricted Subsidiary or Minority Joint Venture).

(G) Limitation on liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral or the Interest Reserve Account (except the Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral and the Charge Over Account),

whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with the Indebtedness secured by such Lien.

(H) Limitation on sale and leaseback transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided that* the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under Condition 6(A) and (b) incurred a Lien to secure such Indebtedness pursuant to Condition 6(G), in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, Condition 6(I).

(I) Limitation on asset sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash or Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$35 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor.

For purposes of this Condition 6(I), each of the following will be deemed to be cash:

- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (i) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (ii) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in (i) or (ii) of the immediately preceding paragraph will constitute “**Excess Proceeds**”. Excess Proceeds of less than US\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company or the Issuer must make an Offer to Purchase (in accordance with this Condition 6(I) and the Trust Deed) the Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000. The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Issuer will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be repaid or redeemed). Upon completion of each Offer to Purchase the Notes, the amount of Excess Proceeds will be reset to zero.

Pending applications of the Net Cash Proceeds or Excess Proceeds pursuant to this Condition 6(I), such Net Cash Proceeds or Excess Proceeds shall be invested in Temporary Cash Investments.

(J) Limitation on consolidation and merger

- (x) None of the Issuer, the Company or R&F HK will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and the Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:
- (1) the Issuer, the Company or R&F HK, as the case may be, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the **"Surviving Person"**) shall be a corporation organised and validly existing under the laws of the British Virgin Islands or Hong Kong or any jurisdiction thereof and shall expressly assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer, the Company or R&F HK, as the case may be, under the Trust Deed, the Notes, the relevant Security Documents, the Charge Over Account, the Keepwell Deed, the Account Bank Agreement and the Equity Interest Purchase Undertaking to which it is a party, as the case may be, and the Trust Deed, the Notes, the relevant Security Documents, the Charge Over Account, the Keepwell Deed, the Account Bank Agreement and the Equity Interest Purchase Undertaking to which it is a party, as the case may be, shall remain in full force and effect;
 - (2) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer, the Company or R&F HK, as the case may be, immediately prior to such transaction;
 - (4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1);
 - (5) the Issuer, the Company or R&F HK, as the case may be, delivers to the Trustee (a) an Officers' Certificate of the Issuer, the Company or R&F HK, as the case may be, (attaching the arithmetic computations to demonstrate compliance with Conditions 6(J)(x)(3) and 6(J)(x)(4)) and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this Condition 6(J) and that all conditions precedent provided for herein relating to such transaction have been complied with;
 - (6) each other Subsidiary Guarantor and each JV Subsidiary Guarantor, unless such other Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Issuer or the Company, as the case may be, has entered into a transaction described under this Condition 6(J) shall execute and deliver a supplemental trust deed to the Trust Deed confirming that its Subsidiary

Guarantee or its JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Trust Deed; and

(7) no Rating Decline shall have occurred.

(y) No other Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or JV Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor, concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor);

(2) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of Condition 6(A)(1);

(5) the Company delivers to the Trustee (x) an Officers' Certificate of the Company (attaching the arithmetic computations to demonstrate compliance with Conditions 6(J)(y)(3) and 6(J)(y)(4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental trust deed complies with this Condition 6(J) and that all conditions precedent provided for herein relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred.

provided that this paragraph shall not apply to any sale or other disposition that complies with Condition 6(I) or any Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, whose Guarantee is unconditionally released in accordance with the provisions described under Condition 4(A).

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

(K) Limitation on business activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; *provided*, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Business as long as any Investment therein was not prohibited when made by Condition 6(B).

(L) Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the section “Use of Proceeds” in the Offering Memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

(M) Designation of restricted and unrestricted subsidiaries

For so long as any of the Notes remain outstanding, the Issuer and R&F HK shall at all times be designated and construed as Restricted Subsidiaries.

Subject to the aforesaid, the Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (1) no Default shall have occurred, or be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified Stock or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or Lien on any property of the Company or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under Condition 6(A) or such Lien would violate Condition 6(G); (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by Condition 6(B) (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group upon the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries in connection with the Restructuring, provided that (A) the Board of Directors has determined in good faith that the designation of such Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (B) at the time of such designation, such Subsidiaries remain Subsidiaries of the Company, and (C) at the time of such designation, such Subsidiaries remain primarily engaged in the businesses other than property development business).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (a) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation

would be permitted to be Incurred by Condition 6(A); (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by Condition 6(G); (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (e) if such Restricted Subsidiary is not organised under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental trust deed to the Trust Deed by which such Restricted Subsidiary shall become a Subsidiary Guarantor.

(N) Government approvals and licences; compliance with law

The Company will, and will cause each Restricted Subsidiary to (1) obtain and maintain in full force and effect all governmental approvals, authorisations, consents, permits, concessions and licences as are necessary to engage in the Permitted Business, (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Account Bank Agreement, the Charge Over Account or the Security Documents.

(O) Anti-layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or any JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee or JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favour of some but not all of such Indebtedness.

(P) Provision of financial information

(1) So long as any of the Notes remain outstanding, the Issuer will deliver to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than ten calendar days after they are filed with the Stock Exchange or any other recognised exchange on which the Company's Common Stock at any time is listed for trading, true and correct copies of any financial or other report in the English language filed by the Company with such exchange; *provided that* if at any time the Common Stock of the Company ceases to be listed for trading on a recognised exchange, the Issuer will deliver to the Trustee and furnish to the Holders:

- (a) as soon as they are available, but in any event within 120 days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year

(including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognised firm of independent accountants;

- (b) as soon as they are available, but in any event within 60 days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognised firm of independent accountants; and
- (c) as soon as they are available, but in any event within 45 days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statement (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorised to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

So long as any of the Notes remain outstanding, the Issuer will deliver to the Trustee and furnish to the Holders upon request:

- (a) as soon as they are available, but in any event within 120 days after the end of the fiscal year of the Company ending after the Original Issue Date, copies of the financial statements of R&F HK (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants; and
 - (b) as soon as they are available, but in any event within 90 days after the end of the second financial quarter of the Company ending after the Original Issue Date, copies of the financial statements of R&F HK (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants.
- (2) In addition, so long as any of the Notes remain outstanding, the Issuer will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate of the Company stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided that* the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Issuer or the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate of the Issuer setting forth the details of the Default, and the action which the Issuer or the Company, as the case may be, proposes to take with respect thereto.

(Q) Covenants in respect of the Issuer and/or R&F HK

Notwithstanding anything contained in these Conditions or the Trust Deed to the contrary:

- (1) The Issuer shall not engage in any business activity or undertake any other activity, except any activity:
 - (a) relating to the offering, sale or issuance of the Notes (including Additional Notes, if any), the Incurrence of Indebtedness represented by the Notes and any other activities in connection therewith;
 - (b) undertaken with the purpose of fulfilling any obligations under the Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Account Bank Agreement, the Charge Over Account or the Security Documents (subject to Permitted Liens and *pari passu* sharing described in Condition 4(C)(2));
 - (c) relating to the offering, sale or issuance of any Permitted *Pari Passu* Secured Indebtedness pursuant to the Trust Deed, the Incurrence of Indebtedness represented thereby and any other activities in connection therewith, *provided that* such Permitted *Pari Passu* Secured Indebtedness is issued pursuant to a structure substantially similar to the Notes (including entry into documentation substantially similar to the Keepwell Deed and the Equity Interest Purchase Undertaking);
 - (d) directly related to the establishment and/or maintenance of the Issuer's corporate existence; or
 - (e) relating to providing a guarantee of any *pari passu* Indebtedness of the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor or any Exempted Finance Subsidiary, the Incurrence of Indebtedness represented by such guarantee and any other activities in connection therewith.
- (2) The Issuer shall not (a) issue any Capital Stock or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than to fund the Issuer's obligations under the Notes or any Permitted *Pari Passu* Secured Indebtedness of the type described under Condition 6(Q)(1)(d).
- (3) R&F HK shall at all times remain a Wholly-Owned Restricted Subsidiary of the Company, whether directly or indirectly, and the Issuer shall at all times remain a Wholly-Owned Restricted Subsidiary of the Company, whether directly or indirectly.
- (4) The Company shall procure R&F HK to, and R&F HK shall, use all reasonable efforts to meet its obligations under the Subsidiary Guarantee prior to the Maturity Date.
- (5) For so long as any Notes are outstanding, none of the Issuer, R&F HK, or the Company will commence or take any action to cause a winding-up or liquidation of the Issuer or R&F HK, as applicable.

(R) Covenants in respect of the Company

The Company agrees that it shall comply with and be bound by, and procure each of the Issuer, R&F HK and the other Restricted Subsidiaries to comply with and be bound by, the provisions contained in these Conditions, the Trust Deed, the Equity Interest Purchase Undertaking, the Charge Over Account and the Security Documents subject to the prevailing obligations under Condition 6(T).

(S) Covenants in respect of the Collateral and the Interest Reserve Account

- (1) In connection with the Interest Reserve Account and the Account Bank Agreement, the Issuer agrees that:
 - (a) on the Original Issue Date, the Issuer shall deposit or procure that there shall be deposited into the Interest Reserve Account an amount equal to one interest payment on the Notes;
 - (b) so long as there has not occurred any Default, the Issuer may by written notice to the Account Bank direct the Account Bank to release such amount of the Reserve Fund in the Interest Reserve Account to the Principal Agent for payment of any interest due and payable under the Notes;
 - (c) the Issuer shall, after each withdrawal is made pursuant to paragraph (b) above and the Account Bank Agreement, deposit a US dollar amount into the Interest Reserve Account within 30 days after the relevant withdrawal to ensure that the Reserve Fund after such deposit shall be no less than the Minimum Balance as of the deposit date;
 - (d) upon the Notes becoming due and payable following the occurrence of an Event of Default under the Notes, the Reserve Fund shall be held solely to the order of the Security Trustee for the benefit of the Holders and the Account Bank shall release the Reserve Fund in the Interest Reserve Account at the direction of the Security Trustee, which shall apply such funds in accordance with the provisions of the Trust Deed in and towards payment of the amounts due under the Notes and the Trust Deed; and
 - (e) upon the redemption, purchase or repayment and cancellation of the Notes in full, the Account Bank shall release the Reserve Fund to the Issuer in accordance with the Account Bank Agreement.
- (2) For so long as the Notes are outstanding, each of the Issuer, the Company and R&F HK shall not, and the Company shall procure that each of the Issuer and R&F HK does not, assign or novate or otherwise dispose of their respective rights or obligations in respect of the Capital Stock of the Issuer, the Account Bank Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking and the Interest Reserve Account, as the case may be, other than the security created pursuant to the Charge Over Account and the Security Documents.
- (3) Each of the Issuer, the Company and R&F HK shall, and the Company shall procure that each of the Issuer and R&F HK will, execute, file and register all such additional documents, instruments, agreements, certificates and assurances and do all such other acts and things (including the payment of all fees, costs and charges) necessary or desirable to effect the delivery, filing and registration

of the Charge Over Account and the Security Documents for the perfection of the Liens and security interests created under the Charge Over Account and the Security Documents.

(T) Prevailing Obligations

All of the other provisions of these Conditions and the Trust Deed shall be read and construed subject to the first paragraph of Condition 6(M) and Conditions 6(Q), 6(R) and 6(S). To the extent there is any inconsistency, the first paragraph of Condition 6(M) and Conditions 6(Q), 6(R) and 6(S) shall always prevail.

7 Defeasance

The Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 366th day after the deposit referred to below, and the provisions of the Trust Deed will no longer be in effect with respect to the Notes (except for certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agents and to hold monies for payment in trust and other matters described in the Trust Deed) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee, in trust, money and/or US Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes and (b) delivers to the Trustee and the Security Trustee an Opinion of Counsel or a certificate of an internationally-recognised firm of independent accountants, in each case, acceptable to the Trustee and the Security Trustee, to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Conditions;
- (2) the Issuer has delivered to the Trustee and the Security Trustee in form and substance acceptable to the Trustee and the Security Trustee (a) an Opinion of Counsel of recognised international standing acceptable to the Trustee and the Security Trustee to the effect that the creation of the defeasance trust does not violate the US Investment Company Act of 1940, as amended, and after the passage of 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 (b) an Opinion of Counsel acceptable to the Trustee and the Security Trustee to the effect that after the passage of 366 days following the deposit, the trust fund will not be subject to the effect of Articles 31 and 32 of the PRC Enterprise Bankruptcy Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Default shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer, the Company or any of its Restricted Subsidiaries is a party or by which the Issuer, the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and the JV Subsidiary Guarantees, insofar as they relate to payments under the Notes, will terminate. For the avoidance of doubt, the provisions of the Trust Deed relating to the appointment of the Trustee and the Security Trustee, the rights, powers, authorities and discretions of the Trustee and the Security Trustee, the remuneration and indemnification of the Trustee and the Security Trustee and provisions therein for the protection of the Trustee and the Security Trustee and/or limiting the obligations and/or liability of the Trustee and the Security Trustee shall remain in full force and effect notwithstanding any such deposit or defeasance as aforesaid.

(A) the provisions of the Trust Deed will no longer be in effect with respect to:

- (i) clauses (3), (4), (5)(a) and (7) under Condition 6(J)(x);
- (ii) clauses (3), (4), (5)(x) and (6) under Condition 6(J)(y); and
- (iii) all of the covenants described herein under Condition 6,

other than those clauses of Condition 6(J) noted in this Condition 7 and other than as described under Condition 6(N) and Condition 6(A)(4), and

(B)

- (1) clause (iii) under Condition 11 with respect to such clauses (3), (4), (5)(a) and (7) under Condition 6(J)(x) and clauses (3), (4), (5)(x) and (6) under Condition 6(J)(y) and with respect to the other events set forth in such clause (iii) under Condition 11;
- (2) clause (iv) under Condition 11 with respect to such other covenants; and
- (3) clauses (v) and (vi) under Condition 11,

shall be deemed not to be Events of Default,

upon, among other things, the deposit with the Trustee, in trust, of money, US Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Trust Deed and the Notes, the satisfaction of the provisions described in Condition 7(2).

In the event the Issuer exercises its option to omit compliance with certain covenants and provisions of the Trust Deed with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default, the Issuer will remain liable for any amounts due on the Notes at the time of the acceleration resulting from such Event of Default.

8 Interest

(A) *Interest rate and interest payment dates*

The Notes bear interest from 17 November 2017. The rate of interest of the Notes is 5.875 per cent. per annum (the “**Interest Rate**”). Interest is payable semi-annually in arrear on 17 May and 17 November in each year (each an “**Interest Payment Date**”) commencing

17 May 2018, except that the last payment of interest, to be made on the Maturity Date, will be in respect of the period from and including 17 May 2022 to but excluding Maturity Date. In these Conditions, the period beginning on and including 17 November 2017 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

(B) Interest payments

Each Note will cease to bear interest from the due date for redemption unless, upon surrender in accordance with Condition 9, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the interest rate as set forth in and in accordance with Condition 9(E) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Holder, and (b) the day seven days after the Trustee or the Principal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

(C) Calculation of interest

Interest in respect of any Note shall be calculated per US\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period (from and including the first day of such period to but excluding the last day) (whether or not constituting an Interest Period) shall be calculated by applying the Interest Rate specified in Condition 8(A) to the Calculation Amount and multiplying such product by the relevant day count fraction for the relevant period (as determined on the basis of a 360-day year consisting of twelve months of 30 days each) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

9 Payments

(A) Principal and interest

Payment of principal (including premium, if any) and interest due on the Notes other than on an Interest Payment Date will be made by transfer to the registered account of the Holder or by US dollar cheque drawn on a bank in New York City mailed to the registered address of the Holder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Certificate at the specified office of any Agent. Interest on the Notes due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the payment of interest (the “**Interest Record Date**”).

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate 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 25 December and 1 January.

(B) *Registered accounts*

For the purposes of this Condition 9, a Holder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(C) *Fiscal laws*

All payments are subject in all cases to (i) any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA. No commissions or expenses shall be charged to the Holders in respect of such payments.

(D) *Payment initiation*

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Holder otherwise than by ordinary mail, expense of the Holder) on the due date for payment (or, if that is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) *Default interest and delay in payment*

If the Issuer fails to pay any sum in respect of the Notes when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 2.0% per annum above the Interest Rate from the due date. Such default interest shall accrue on the basis of a 360-day year consisting of twelve months of 30 days each.

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this condition arrives after the due date for payment.

(F) *Business day*

In this Condition 9, "**business day**" means a day (other than a Saturday, Sunday) on which commercial banks and foreign exchange markets are open for business in New York City and the city in which the specified office of the Principal Agent is located and (if surrender of the relevant Certificate is required) the relevant place of presentation.

10 Taxation

All payments made by the Issuer or, as the case may be, R&F HK or any other Subsidiary Guarantor or any JV Subsidiary Guarantors under or in respect of the Trust Deed or the Notes will be made free from any restriction or condition and be made without deduction or

withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of a Relevant Jurisdiction, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law or by regulation or governmental policy having the force of law. In such event, the Issuer or, as the case may be, R&F HK or such other Subsidiary Guarantor or such JV Subsidiary Guarantor will pay such additional amounts as will result in the receipt by the Holders of net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Note:

- (i) to a Holder (or to a third party on behalf of a Holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some present or former connection with a Relevant Jurisdiction otherwise than merely by holding the Note or by the receipt of amounts in respect of the Note; or
- (ii) (in the case of a payment of principal) if the Certificate in respect of such Note is surrendered more than 30 days after the relevant date except to the extent that the Holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders and cheques despatched or payment made.

References in these Conditions to principal, interest and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition 10 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

11 Events of default

The following events shall be “**Events of Default**”:

- (i) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (ii) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (iii) default in the performance or breach of the provisions of the covenants described under Conditions 6(G), 6(J), 6(Q) or 6(S), the failure by the Issuer to make or consummate an Offer to Purchase in the manner described under Condition 6(I) or a Change of Control Offer under Condition 5(E);
- (iv) the Issuer, the Company, R&F HK or any other Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Trust Deed or under the Notes (other than a default specified in clause (i), (ii) or (iii) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

- (v) with respect to any Indebtedness of the Issuer, the Company, R&F HK or any other Restricted Subsidiary having an outstanding principal amount of US\$20 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, there occurs (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to make a principal payment when due;
- (vi) one or more final judgments or orders for the payment of money are rendered against the Issuer, the Company, R&F HK or any other Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of such final judgment(s) or order(s) that causes the aggregate amount for all such final judgment(s) or order(s) outstanding and not paid or discharged against all such Persons to exceed US\$20 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (vii) an involuntary case or other proceeding is commenced against the Issuer, the Company, R&F HK or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Company, R&F HK or any Significant Subsidiary or for any substantial part of the property and assets of the Issuer, the Company, R&F HK or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Issuer, the Company, R&F HK or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (viii) the Issuer, the Company, R&F HK or any Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Company, R&F HK or any Significant Subsidiary or for all or substantially all of the property and assets of the Issuer, the Company, R&F HK or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (ix) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Trust Deed, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (x) any default by any of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Charge Over Account, the Security Documents or the Trust Deed, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or the Interest Reserve Account or which adversely affects the condition or value of the Collateral or the Lien on the Interest Reserve Account, taken as a whole, in any material respect;

- (xi) any of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or the Charge Over Account or, other than in accordance with the Trust Deed, the Security Documents and the Charge Over Account, the Charge Over Account or any Security Document is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect or the Security Trustee ceases to have a security interest in the Collateral or the Interest Reserve Account (in each case subject to Permitted Liens); or
- (xii) any default by the Company in the performance of any of its obligations under the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, or the Company denies or disaffirms its obligations under the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, or, other than in accordance with the Trust Deed or these Conditions, the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than a default occurs on the payment of principal of, premium, if any, and accrued and unpaid interest on the Notes when the same becomes due and payable at maturity or an Event of Default specified in clause (vii) or (viii) above) occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) (which notice shall be copied to the Security Trustee), may, and the Trustee at the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding (subject to being indemnified and/or secured and/or pre-funded by the Holders to its satisfaction), shall, declare the principal of, premium (if any arising following the Issuer giving notice to repurchase or redeem the Notes in accordance with Conditions 5(E), 5(F) or 5(G)), and accrued and unpaid interest on the Notes to be immediately due and payable.

Upon a declaration of such acceleration, the principal of, premium, and accrued and unpaid interest of the Notes shall be immediately due and payable.

If a default occurs on the payment of principal of, premium, if any, and accrued and unpaid interest on the Notes when the same becomes due and payable at maturity or an Event of Default specified in clause (vii) or (viii) above occurs with respect to the Issuer, R&F HK, the Company or any Significant Subsidiary, the principal of, premium (if any arising following the Issuer giving notice to repurchase or redeem the Notes in accordance with Conditions 5(E), 5(F) or 5(G)), and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee (which notice shall be copied to the Security Trustee) may waive all past Defaults and Events of Default and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Defaults and Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, and such declaration of acceleration in respect of the Notes will be rescinded and annulled, but no such waiver will extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the aggregate of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Security Trustee or the Trustee or exercising any trust or power conferred on the Security Trustee or the Trustee, including, but not limited, deeming any acceleration of the outstanding Notes to have been cured.

However, the Security Trustee or the Trustee, as the case may be, may refuse to follow any direction that conflicts with law or the Trust Deed, that may involve the Security Trustee and/or the Trustee, as the case may be, in personal liability or if the Security Trustee or the Trustee, as the case may be, is not indemnified and/or secured and/or pre-funding to its satisfaction by the Holders giving the direction, or that the Trustee determines may be unduly prejudicial to the rights of Holders not joining in the giving of such direction, and each of the Security Trustee and the Trustee may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Trust Deed or the Notes or the Charge Over Account or the Security Documents (with respect to the Security Documents, subject to the terms of the Intercreditor Agreement) or for the appointment of a receiver or trustee, or for any other remedy under the Trust Deed or the Notes or the Security Documents, unless:

- (A) the Holder has previously given the Trustee written notice (which notice shall be copied to the Security Trustee) of a continuing Event of Default;
- (B) the holders of at least a majority in aggregate principal amount of the aggregate of the outstanding Notes make a written request to the Security Trustee and/or the Trustee to pursue the remedy;
- (C) such holder or holders provide the Security Trustee and the Trustee with an indemnity and/or security and/or pre-funding satisfactory to the Security Trustee and the Trustee against any loss, fees, costs, liability or expense to be incurred in compliance with such request;
- (D) the Security Trustee and/or the Trustee, as the case may be, does not comply with the request within 60 days after receipt of the request and the provision of indemnity and/or security and/or pre-funding satisfactory to the Security Trustee and the Trustee; and
- (E) during such 60-day period, the holders of a majority in aggregate principal amount of the aggregate of the outstanding Notes do not give the Security Trustee or the Trustee, as the case may be, a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

12 Prescription

Claims in respect of amounts due in respect of the Notes will become prescribed unless made within ten years (in the case of principal) and five years (in the case of interest or premium (if any)) from the relevant date (as defined in Condition 10) in respect thereof.

13 Meetings of Holders, Modification and Waiver

(A) *Meetings*

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any) or the provisions of the Trust Deed, the Charge Over Account, the Security Documents, the Account Bank Agreement, the Keepwell Deed or the Equity Interest Purchase Undertaking. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50% in principal amount of the Notes for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Holders whatever the principal amount of the Notes so held or represented, unless the business of such meeting includes consideration of proposals to:

- (i) modify the due date for any payment in respect of the Notes;
- (ii) reduce or cancel the amount of principal or premium payable in respect of the Notes or to reduce or cancel the interest (including default interest under Condition 9(E), if applicable) on the Notes or to vary the method of calculating any premium payable in respect of the Notes or the Interest Rate or to reduce the initial Interest Rate;
- (iii) change the currency of payment of the Notes;
- (iv) modify the provisions concerning the quorum required at any meeting of the Holders or the majority required to pass an Extraordinary Resolution or sign a resolution in writing;
- (v) modify or cancel a Subsidiary Guarantee or a JV Subsidiary Guarantee (other than any release pursuant to Condition 4(A));
- (vi) modify the provisions relating to defeasance in Condition 7;
- (vii) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (viii) without prejudice to waiver of Defaults or Events of Default pursuant to Condition 11, waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (ix) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Notes or for waiver of certain defaults;

- (x) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale, or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (xi) change the redemption date or the redemption price of the Notes from that stated under Conditions 5(B), 5(E), 5(F) or 5(G);
- (xii) amend, change or modify the obligation of the Issuer, the Company, R&F HK or any other Subsidiary Guarantor to pay additional amounts under Condition 10;
- (xiii) amend, change or modify any provision of the Trust Deed or the Notes or any related definition affecting the ranking of the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders; or
- (xiv) amend, change or modify any provision of the Issuer Share Charge, Charge Over Account, the Account Bank Agreement, the Keepwell Deed or the Equity Interest Purchase Undertaking,

in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66%, or at any adjourned such meeting not less than 33% in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the Holders of not less than 90% of the aggregate principal amount of Notes outstanding or by way of electronic consents through Euroclear and Clearstream (in a form satisfactory to the Trustee) by or on behalf of holders of not less than 90 per cent. of the nominal amount of the Notes for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution, other than with respect to a written waiver made pursuant to Condition 11.

Any duty derived from any principle of law or equity that would otherwise have the effect of requiring the holders of the Notes to exercise their powers to vote for or against any Extraordinary Resolution or any other resolution contemplated by the Trust Deed or these Conditions for the benefit or in the interests of any group or class of holders as a whole and not merely individual holders is excluded to the fullest extent permitted by law.

(B) *Modification and waiver*

The Trustee (and, to the extent relevant, the Security Trustee) may agree, without the consent of the Holders, to:

- (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Notes, the Intercreditor Agreement, the Security Documents, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Charge Over Account, the Account Bank Agreement, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee and/or the Security Trustee, as the case may be, materially prejudicial to the interests of the Holders, which shall include, among others, modifications or amendments to:

- (a) comply with the provisions described under Condition 6(J);
- (b) evidence and provide for the acceptance of appointment by a successor Trustee or Security Trustee;
- (c) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor (other than R&F HK) or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Trust Deed and these Conditions;
- (d) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Trust Deed and these Conditions;
- (e) add additional Collateral to secure the Notes or any Subsidiary Guarantee or JV Subsidiary Guarantee;
- (f) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and/or the Security Trustee, as the case may be, to enter into any amendments to the Security Documents or the Trust Deed and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with these Conditions and the Trust Deed, including, without limitation, the entry into of any Intercreditor Agreement or any supplement or amendment thereto);
- (g) provide for the issuance of Additional Notes in accordance with Condition 16;
- (h) in any other case where a supplemental Trust Deed is required or permitted to be entered into pursuant to the provisions of the Trust Deed without the consent of any Holder; or
- (i) effect any changes to the Trust Deed or the Agency Agreement in a manner necessary to comply with the procedures of the relevant clearing system; or
- (ii) any modification to the Notes, the Intercreditor Agreement, the Security Documents, the Keepwell Deed, the Equity Interest Purchase Undertaking, the Charge Over Account, the Account Bank Agreement, the Trust Deed or the Agency Agreement which, in the opinion of the Trustee and/or the Security Trustee, as the case may be, is of a formal, minor or technical nature or to correct a manifest error or an error established as such to the satisfaction of the Trustee and/or the Security Trustee, as the case may be, or to comply with mandatory provisions of law.

Any such modification, waiver or authorisation will be binding on the Holders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Issuer to the Holders as soon as practicable thereafter.

(C) *Interests of holders*

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation or waiver), each of the Trustee and the Security Trustee shall have regard to the interests of the Holders as a class and shall not have regard to the consequences of such exercise for individual Holders, and each of the Trustee and the Security Trustee shall not be entitled to require on behalf of any Holder, nor shall any Holder be entitled to claim, from the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or the Security Trustee any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders except to the extent provided for in Condition 10 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a modification, waiver or authorisation in accordance with Condition 13(B), the Issuer will procure that the Holders are notified in accordance with Condition 17.

14 Substitution

The Trust Deed and these Conditions contain provisions permitting the Trustee and the Security Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Holders, to the substitution of certain other entities in place of any Subsidiary Guarantor or JV Subsidiary Guarantor, or of any previous substituted company, as a guarantor under the Trust Deed and the Notes. In the case of such a substitution, the Trustee and the Security Trustee may agree, without the consent of the Holders, to a change of the law governing the relevant Subsidiary Guarantee or JV Subsidiary Guarantee *provided that* such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders.

15 Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Agent may require mutilated or defaced Certificates must be surrendered before replacements will be issued.

16 Further Issues

Subject to Condition 6(A) and compliance with applicable law, the Issuer may from time to time, without the consent of the Holders, create and issue further Notes having the same terms and conditions as the Notes in all respects and so that such further issue shall be consolidated and form a single series with the Notes. Such further Notes will be constituted by a deed supplemental to the Trust Deed.

17 Notices

Notices to the holders of Notes shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or

other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificates are held on behalf of Euroclear or Clearstream, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream, rather than by notification as required by the Conditions.

18 Agents

The names of the initial Registrar and other Agents and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Registrar or any other Agent and to appoint a replacement Registrar or other replacement Agents. The Issuer will at all times maintain (a) a Principal Agent, (b) a Registrar which will maintain the Register outside the United Kingdom and (c) such agents as may be required by any stock exchange on which the Notes may be listed. Notice of any such termination or appointment, of any changes in the specified offices of the Registrar or any other Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Holders.

19 Indemnification

The Trust Deed and the Agency Agreement contain provisions for the indemnification of each of the Trustee, the Security Trustee and each Agent and for their relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. Each of the Trustee, the Security Trustee and each Agent is entitled to enter into business transactions with the Issuer, R&F HK and the Company and any entity related (directly or indirectly) to the Issuer, R&F HK or the Company without accounting for any profit. None of the Trustee, the Security Trustee or any Agent shall be responsible for the performance by any other person appointed by the Issuer in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice to the contrary, each of the Trustee, the Security Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or the Security Trustee shall be liable to any Holder or any other person for any action taken by the Trustee or the Security Trustee in accordance with the instructions of the Holders. The Trustee and the Security Trustee shall be entitled to rely on any direction, request or resolution of Holders given by holders of the requisite principal amount of Notes outstanding or passed at a meeting of Holders convened and held in accordance with the Trust Deed.

Whenever the Trustee or the Security Trustee is required or entitled by the terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, each of the Trustee and the Security Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Holders by way of an Extraordinary Resolution, and neither the Trustee nor the Security Trustee is responsible for any loss or liability incurred by any person as a result of any delay in its exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee or the Security Trustee, as the case may be, is seeking such directions or in the event that no such directions are received.

Neither the Trustee nor the Security Trustee shall be under any obligation to monitor compliance with the provisions of these Conditions.

Each of the Trustee and the Security Trustee may rely without liability to Holders or any other person on any certificate prepared by the directors of the Issuer, R&F HK, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, whether or not accompanied by a certificate or report prepared by an internationally recognised firm of accountants pursuant to the Conditions and/or the Trust Deed, whether or not addressed to the Trustee or, as the case may be, the Security Trustee and whether or not, if so accompanied, the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors or the JV Subsidiary Guarantors to procure such delivery under these Conditions; any such certificate or report relied on by the Trustee as aforesaid shall be conclusive and binding on the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Security Trustee and the Holders.

20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available apart from such Act.

21 Certain definitions

In these Conditions:

“2018 Notes” means the US\$600,000,000 in aggregate principal amount of 5.25% Senior Notes due 2018 issued by Trillion Chance Limited (兆運有限公司) which have been consolidated and form a single series with the further issue of US\$200,000,000 in aggregate principal amount of 5.25% Senior Notes due 2018.

“2018 Notes Security Trustee” means Citicorp International Limited as security trustee for the holders of the 2018 Notes, which term shall, where the context so permits, include all other persons for the time being acting as security trustee or security trustees for such holders under the 2018 Notes Trust Deed.

“2018 Notes Trust Deed” means the trust deed dated 13 October 2017 as supplemented and amended from time to time, including by the first supplemental trust deed dated 27 October 2017, in each case made among Trillion Chance Limited (兆運有限公司), the Company, R&F HK, the other subsidiary guarantors party thereto, the 2018 Notes Trustee and the 2018 Notes Security Trustee.

“2018 Notes Trustee” means Citicorp International Limited as trustee for the holders of the 2018 Notes, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees for such holders under the 2018 Notes Trust Deed.

“2022 Notes” means the US\$265,000,000 in aggregate principal amount of 5.75% Senior Notes due 2022 issued by the Issuer which have been consolidated and form a single series with the further issue of US\$460,000,000 in aggregate principal amount of 5.75% Senior Notes due 2022.

“2022 Notes Security Trustee” means Citicorp International Limited as security trustee for the holders of the 2022 Notes, which term shall, where the context so permits, include all other persons for the time being acting as security trustee or security trustees for such holders under the 2022 Notes Trust Deed.

“2022 Notes Trust Deed” means the trust deed dated 24 January 2013 as supplemented and amended from time to time, including by the fourth supplemental trust deed dated 19 April 2016, in each case made among the Issuer, the Company, R&F HK, the other subsidiary guarantors party thereto, the 2022 Notes Trustee and the 2022 Notes Security Trustee.

“2022 Notes Trustee” means Citicorp International Limited as trustee for the holders of the 2022 Notes, which term shall, where the context so permits, include all other persons for the time being acting as trustee or trustees for such holders under the 2022 Notes Trust Deed.

“Account Bank” has the meaning given to it in Condition 4(C)(1).

“Account Bank Agreement” means the account bank agreement dated on or about the Original Issue Date and as amended and supplemented from time to time between the Issuer, the Trustee and the Account Bank.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary and whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Additional Notes” means the additional Notes to be issued from time to time by the Issuer subject to certain limitations described in Condition 16.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after 17 November 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue relating to the Notes, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case, calculated on the third business day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (i) or (ii). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means, with respect to any Note on any redemption date, the greater of:

- (1) 1.00% of the principal amount of such Note; and
- (2) the excess of (a) the present value at such redemption date of (i) the redemption price of such Note at 17 November 2020 (such redemption price being set forth in the table appearing in Condition 5(G)) plus (ii) all required remaining scheduled interest payments due on such Note through 17 November 2020 (excluding accrued but unpaid interest to such redemption date) computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points; over (b) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary, or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or a Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided*, however, that “Asset Sale” shall not include:

- (a) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under Condition 6(B);
- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by Condition 6(J); or

- (g) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Company or any Restricted Subsidiary that is (i) secured by bank accounts, deposits or other assets of the Company or a Restricted Subsidiary or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchanges of foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorised to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorised to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“business day” means, other than in the context of Conditions 3 and 9, any day which is not a Saturday, Sunday, legal holiday or other day upon which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalised Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalised on the balance sheet of such Person.

“Capitalised Lease Obligations” means the discounted present value of the rental obligations under a Capitalised Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding any debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) the Permitted Holders are collectively the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act) directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election by the Board of Directors was approved by a vote of at least a two-thirds of the members of the Board of Directors then still in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and a Rating Decline.

“Charge Over Account” has the meaning given to it in Condition 4(C)(1).

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, *inter alia*, the Notes, the Trust Deed or the Subsidiary Guarantees pursuant to the Security Documents, and shall initially consist of the Capital Stock of the Issuer and the initial Subsidiary Guarantors (other than R&F HK).

“Commodity Hedging Agreement” means any spot, forward or option, commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the US Treasury security having a maturity comparable to 17 November 2020 that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to 17 November 2020.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the definition of Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is received by the Principal Agent) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Company’s direct or indirect proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements). **“Consolidated EBITDA”** means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense (other than dividends paid on Preferred Stock);
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and
- (3) depreciation expense, amortisation expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP, *provided that* (i) if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly-Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly-Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication:

- (1) interest expense attributable to Capitalised Lease Obligations and imputed interest with respect to Attributable Indebtedness;
- (2) amortisation of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness;

- (3) the interest portion of any deferred payment obligation;
- (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness;
- (5) the net costs associated with Hedging Obligations (including the amortisation of fees);
- (6) interest accruing on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees incurred pursuant to Condition 6(A)(2)(g)), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary; and
- (7) any capitalised interest,

provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;

- (5) any net after-tax gains realised on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realised on sales of Capital Stock of the Company or any Restricted Subsidiary);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated financial statements of the Company prepared in accordance with GAAP (which the Company shall use its reasonable efforts to compile in a timely manner), plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or a Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in Condition 6(I) and Condition 5(E) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of the Notes as are required to be redeemed or repurchased pursuant to Condition 6(I) and Condition 5(E).

“Dollar Equivalent” means, (i) in the case of any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided that* such borrowings are not reflected on the consolidated balance sheet of the Company.

“Event of Default” means each of the events set out in Condition 11.

“Exchange Act” means the US Securities Exchange Act of 1934, as amended.

“Exempted Finance Subsidiary” means a Person established to incur any Indebtedness, *provided that* (i) such Person shall become a Wholly-Owned Restricted Subsidiary of the Company and (ii) that such Indebtedness is guaranteed by R&F HK in a manner and pursuant to a structure substantially identical to the Notes (including entry into documentation substantially identical to the Keepwell Deed and the Equity Interest Purchase Undertaking).

“Exempted Subsidiary” means any Offshore Restricted Subsidiary that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee or creating any Lien over its Capital Stock to secure the Notes; *provided that* (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, *provided that* in the case

of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an Independent Financial Advisor appointed by the Company.

“**Fitch**” means Fitch Ratings, Inc. and its affiliates.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarterly periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Four Quarter Period**”) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period,

provided that to the extent that clause (d) or (e) of this definition requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the Four Quarter Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed of for which financial information is available.

“GAAP” means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with GAAP applied on a consistent basis.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” has the meaning given to it in Condition 2.

“Hong Kong Listing Rules” means the Rules Governing the Listing of Securities on the Stock Exchange.

“Hong Kong” means the Hong Kong Special Administrative Region of the PRC.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence”, “Incurred” and “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 Capitalised Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons guaranteed by such Person, to the extent such Indebtedness is guaranteed by such person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, pre-sale receipts in advance from customers, deferred payment obligations or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business or any Entrusted Loan; *provided that* such Indebtedness is not reflected and is not required under GAAP to be reflected on the consolidated balance sheet of the Company as borrowings (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation, *provided that*:

- (i) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (ii) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (iii) the amount of Indebtedness with respect to any Hedging Obligation shall be: (x) zero if Incurred pursuant to Condition 6(A)(2)(f) and (y) equal to the net amount payable if the Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such Condition 6(A)(2)(f).

“Independent Financial Advisor” means a reputable licensed and qualified financial advisor, investment bank, appraisal firm or accounting firm of international standing, *provided that* such advisor or firm is not an Affiliate of the Company.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Interest Reserve Account” has the meaning given to it in Condition 4(C)(1).

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

“Invest”, **“Investing”** and **“Invested”** shall have corresponding meanings.

For the purposes of the provisions of Condition 6(B) and Condition 6(M): (a) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (b) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means (i) a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, (ii) a rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or (iii) a rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or (iv) the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary primarily for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any

Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under Condition 4(B).

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Voting Stock of which is listed on a Qualified Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualified Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

“Maturity Date” means 13 February 2023.

“Measurement Date” means 29 April 2011.

“Minimum Balance” means on any date, the amount of interest due and payable under the Notes outstanding on such date on the next Interest Payment Date.

“Minority Joint Venture” means any corporation, association or other business that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Business, and such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

- (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” means the Restricted Subsidiaries that do not provide a Subsidiary Guarantee or JV Subsidiary Guarantee, including the Issuer, the PRC Restricted Subsidiaries and the Offshore Non-Guarantor Subsidiaries.

“Offer to Purchase” means an offer to purchase Notes by the Company or the Issuer from the Holders commenced by the Company or the Issuer mailing a notice by first class mail, postage prepaid, to the Trustee, the Principal Agent and each Holder at its last address appearing in the Register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a business day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the **“Offer to Purchase Payment Date”**);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company and the Issuer default in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the **“Tender 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 Tender 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 one business day prior to the Offer to Purchase Payment Date, the Company or the Issuer shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Registrar all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company or the Issuer. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Registrar or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company or the Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company and the Issuer will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company or the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company or the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means the offering memorandum dated 13 November 2017 issued in connection with the issue and offering of the Notes.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, a JV Subsidiary Guarantor or the Issuer, one of the directors or executive officers of such Subsidiary Guarantor, JV Subsidiary Guarantor or the Issuer, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers *provided*, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor in accordance with these Conditions or the Trust Deed, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or JV Subsidiary Guarantor at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from legal counsel of recognised standing who is acceptable to the Trustee and/or the Security Trustee, as the case may be, that meets the requirements of the Trust Deed.

"Original Issue Date" means 17 November 2017, the date on which the Notes are originally issued under the Trust Deed.

“Outstanding” has the meaning given to it in the Trust Deed.

“Pari Passu Subsidiary Guarantee” means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company, the Issuer (including Additional Notes), any Exempted Finance Subsidiary, any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided that* (1) the Company, the Issuer, such Exempted Finance Subsidiary, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under Condition 6(A) and (2) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (w) any default in the payment of interest on any Note when the same becomes due and payable, (x) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (y) the failure by the Company to make or consummate a Change of Control Offer in the manner described under Condition 5(E) or an Offer to Purchase in the manner described under Condition 6(I) or (z) any Event of Default specified in Condition 11(v).

“Permitted Business” means any business conducted or proposed to be conducted (as described in the Offering Memorandum) by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related or ancillary thereto.

“Permitted Holders” means any or all of the following:

- (1) Mr. Li Sze Lim and Mr. Zhang Li or any trust settled by such Persons, *provided that* such Persons at all times have the power to direct or cause the direction of the management and policies of such trust;
- (2) any Affiliate (other than an Affiliate defined in clause (ii) or (iii) of the definition of Affiliate) of the Person specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets made in compliance with Condition 6(I);
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under Condition 6(G);
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Trust Deed;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors or suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;
- (13) deposits of pre-sale proceeds made by the Company or an Restricted Subsidiary in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property, land use rights or other assets used in the Permitted Business by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;
- (16) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), *provided that*:
 - (i) the aggregate of all Investments made under this clause (16) since the Measurement Date shall not exceed in aggregate an amount equal to 25% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Measurement Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date under this clause of an obligation of any such Person, or
 - (C) to the extent that an Investment made after the Measurement Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person pursuant to this clause (16),
- (ii) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
 - (iii) if a shareholder or partner (other than the Company or a Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (a) or (b) of the first paragraph of Condition 6(F) (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary, a Minority Joint Venture or an Unrestricted Subsidiary), such investment complies with Condition 6(F));
 - (iv) no Default has occurred and is continuing or would occur as a result of such Investment; and
 - (v) in the case of any Investment by the Company or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries, at the time of such Investment, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph Condition 6(A)(1); *provided however* that this paragraph (v) shall not apply if such Investment would otherwise have been permitted under this clause (16) and such Investment, together with the aggregate amount of all other Investments made in reliance on this proviso since the Original Issue Date, shall not exceed in aggregate an amount equal to 5% of Total Assets (such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made in reliance on this proviso since the Original Issue Date resulting from the events set forth in paragraphs (i)(A) through (i)(C) above, where references in such paragraphs to “under this clause (16)” or “under this clause” shall be substituted with “in reliance on the proviso in this paragraph (v)”).

For the avoidance of doubt, the value of each Investment made pursuant to this clause (16) shall be valued at the time such Investment is made;

- (17) Guarantees permitted under Condition 6(A)(2)(r);

- (18) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors has determined in good faith that the designation of such Subsidiaries as Unrestricted Subsidiaries is necessary to obtain approval from a Qualified Exchange for the Restructuring, (ii) at the time of such designation, such Subsidiaries remain Subsidiaries of the Company, and (iii) at the time of such designation, such Subsidiaries remain primarily engaged in the businesses other than property development business; and (B) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed an amount equal to 10% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 10% of Total Assets shall not constitute a Permitted Investment pursuant to this clause (18) but may be made, characterized and accounted for in accordance with the other provisions in these Conditions; and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30% of the Voting Stock of such entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event; and
- (19) any Investment by the Company or any Restricted Subsidiary in any trust, fund or asset management plan primarily engaged, directly or indirectly, in the investment in any real estate project acquired, developed, managed or operated by the Company or any Restricted Subsidiary; *provided that* none of the other holders of any interest of such trust, fund or asset management plan (other than holders that beneficially own in the aggregate no more than 10% of the Capital Stock of such trust, fund or asset management plan) is a Person described in clause (a) or (b) of the first paragraph of Condition 6(F) (other than by reason of such holder being an director or officer of the Company or a Restricted Subsidiary).

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favour of the Company or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default or Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by Condition 6(A)(2)(f);
- (11) Liens existing on the Original Issue Date;

- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under Condition 6(A)(2)(e); *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;
- (15) Easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favour of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (16) Liens (including extensions and renewals thereof) upon real or personal property; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under Condition 6(A)(2)(h) and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development or construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of such acquisition, completion or improvement costs and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property, or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such acquisition, completion or improvement costs if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (18) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens under the Charge Over Account;

- (21) Liens under the Security Documents and Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under Condition 4(C)(2);
- (22) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favour of any Trust Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the second paragraph of Condition 6(A);
- (23) Liens Incurred on accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(s) of Condition 6(A);
- (24) Liens securing Indebtedness of the type described under clause (2)(n) of Condition 6(A);
- (25) Liens securing Indebtedness Incurred under clause (2)(r) of Condition 6(A);
- (26) Liens on Investment Properties securing Indebtedness of the Company or Restricted Subsidiary incorporated under the laws of the PRC of the type described under clause (2)(t) of Condition 6(A);
- (27) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(p) of Condition 6(A);
- (28) Liens incurred or deposits made to secure Entrusted Loans; and
- (29) Liens securing Indebtedness Incurred under clause (2)(u) of Condition 6(A).

provided that, with respect to the Collateral, “Permitted Liens” shall only refer to the Liens described in clauses (1) and (21) of this definition and Liens securing the 2022 Notes and the 2018 Notes; and with respect to the Interest Reserve Account, “Permitted Liens” shall only refer to the Liens described in clauses (1) and (20) of this definition.

“Permitted Pari Passu Secured Indebtedness” has the meaning given to it in Condition 4(C)(2).

“Permitted Subsidiary Indebtedness” means Indebtedness (excluding any Indebtedness of the Issuer and any Exempted Finance Subsidiary) of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole, *provided that*, on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock, as the case may be, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock (excluding Public Indebtedness) does not exceed an amount equal to 15% of the Total Assets; *provided*, however, that Permitted Subsidiary Indebtedness shall not include any Indebtedness of any Restricted Subsidiary permitted under Conditions 6(A)(2)(a), 6(A)(2)(b), 6(A)(2)(d), 6(A)(2)(f) and 6(A)(2)(g).

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding Hong Kong, Macau and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on 13 April 1988 and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on 4 September 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organised under the laws of the PRC.

“PRC Subsidiary” means any Subsidiary that is organised under the laws of the PRC.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

“Pre-Registration Mortgage Guarantee” means any guarantee by the Company or any Restricted Subsidiary in favour of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided that* any such guarantee shall be released in full on or before the perfection of security interest in such properties under applicable law in favour of the relevant lender.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Qualified Exchange” means either (1) The New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, Singapore Exchange Securities Trading Limited, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Taiwan Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Qualified IPO” means an initial public offering, and a listing, of ordinary shares of a company on a Qualified Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (i) S&P, (ii) Moody’s, (iii) Fitch or (iv) if S&P, Moody’s or Fitch, two of the three of them or all three of them shall not make a rating of the Notes publicly available, one or more internationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s or Fitch, two of the three of them or all three of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “AAA”, “AA”, “A”, “BBB”, “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: of “Aaa”, “Aa”, “A”,

“Baa”, “Ba”, “B”, “Caa”, “Ca”, “C” and “D” (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: “AAA”, “AA”, “A”, “BBB”, “BB”, “B”, “CCC”, “CC”, “C” and “D” (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB”, as well as from “BB-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under Condition 6(J), the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under Condition 6(J), the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are (i) rated by less than three Rating Agencies or (ii) rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Treasury Dealer” means each of any three investment banks of recognised standing that is a primary US Government securities dealer in New York City, selected by the Issuer in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for the Notes, the average as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue relating to the Notes (expressed as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, and for the purposes of Condition 6(I)(3), shall include Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business.

“Reserve Fund” means any amount standing to the credit of the Interest Reserve Account and any income or interest earned thereon from time to time.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary; for the avoidance of doubt, “Restricted Subsidiary” shall at all times from the Original Issue Date include the Issuer and R&F HK.

“Restructuring” means the restructuring and Qualified IPO of the common shares of a Subsidiary in the Restructuring Group.

“Restructuring Group” means a Subsidiary of the Company through which the Company conducts (directly or indirectly) businesses other than property development business immediately prior to the completion of the Restructuring and its Subsidiaries.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any Lien in favour of the Security Trustee and/or any Holders in any or all of the Collateral.

“Senior Indebtedness” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Trust Deed.

“Significant Subsidiary” means a Restricted Subsidiary that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Rule 1-02(w) of Regulation S-X under the Securities Act, as such regulation is in effect on the Original Issue Date *provided that* in each instance in such definition in which the term “10 percent” is used, the term “5 percent” shall be substituted therefor; and *provided further that* any Restricted Subsidiary which is not itself a Significant Subsidiary shall nevertheless be treated as a Significant Subsidiary if, when consolidated with any other Restricted Subsidiary which is not itself a Significant Subsidiary and with respect to which an Event of Default specified in clause (vii) or (viii) of Condition 11 has occurred since the Original Issue Date, such Restricted Subsidiary would otherwise meet the definition of Significant Subsidiary.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; *provided*, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) which results in such corporation, association or other business entity ceasing to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such corporation, association or other business entity equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such Person immediately after the occurrence of such event, which shall be made in compliance with Condition 6(B).

“Subsidiary Guarantee” means any guarantee of the obligations of the Issuer under the Trust Deed and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary (other than the Issuer) which guarantees the payment of the Notes pursuant to the Trust Deed and the Notes; *provided that* Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Notes.

“Subsidiary Guarantor Pledgor” means any Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Trust Deed and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided that* a Subsidiary Guarantor Pledgor shall not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Trust Deed and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China, Hong Kong or Australia or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China, Hong Kong or Australia or any agency thereof, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America or any state thereof, Hong Kong, Australia or any state thereof, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organised and in existence under the laws of the United States of America, any state thereof or any foreign country recognised by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof or Hong Kong and rated at least "A" by S&P or Moody's;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) time deposit accounts, certificates of deposit and money market deposits with any bank or financial institution organised under the laws of the PRC, Hong Kong, Australia or Malaysia or any other regions where the Company or any Restricted Subsidiary conducts Permitted Business; and
- (8) structured deposit products with any bank or trust company organised under the laws of the PRC, Hong Kong, Australia or Malaysia or any other regions where the Company or any Restricted Subsidiary conducts Permitted Business that (a) are 100% principal protected if held to maturity (which shall not be more than one year) and (b) can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP for the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable efforts to compile in a timely manner) are available (which may be internal consolidated financial statements), *provided that* only with respect to Condition 6(A)(2)(h) and the definition of "Permitted Subsidiary Indebtedness", "Total Assets" shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or

equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or actual cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness; *provided further* that, only with respect to Condition 6(A)(2)(u), in relation to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such new Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary.

“Trade Payables” means, with respect to any Person, any accounts payable or any other Indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an Independent Third Party that is a financial institution or an insurance company organised under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein and (2) any Subsidiary of an Unrestricted Subsidiary, and includes, as of the Original Issue Date, R&F Development Holdings Pty Ltd, R&F Property Pty Ltd, R&F Realty Pty Ltd, R&F Estate Pty Ltd, R&F Golden Property Pty Ltd, R&F Golden Realty Pty Ltd, R&F Mega Property Pty Ltd, R&F Mega Realty Pty Ltd, R&F Mega Estate Pty Ltd, R&F Property Australia Pty Ltd., and Big Will Investments Limited (鴻誌有限公司).

“US Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such US Government Obligation or a specific payment of interest on or principal of any such US Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorised to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the US Government Obligation or the specific payment of interest on or principal of the US Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly-Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person; *provided that* Subsidiaries that are PRC CJVs

shall not be considered Wholly-Owned Subsidiaries unless such Person or one or more Wholly-Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

22 Governing Law and Submission to Jurisdiction

The Notes, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Notes, each of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors has in the Trust Deed irrevocably submitted to the non-exclusive jurisdiction of the courts of England, and each of the Issuer, the Company, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors in relation thereto has appointed an agent for service of process in England. In relation to any legal action or proceedings arising out of or in connection with the Keepwell Deed and the Equity Interest Purchase Undertaking, each of the Issuer (in the case of the Keepwell Deed), the Company and R&F HK, has in the Keepwell Deed or the Equity Interest Purchase Undertaking, as the case may be, irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong, and each of the Issuer, the Company and R&F HK in relation thereto has appointed an agent for service of process in Hong Kong.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed to be entered into between the Issuer, R&F HK, the Company and the Trustee, the Company will undertake with the Issuer, R&F HK and the Trustee that it (i) shall directly or indirectly own and control all the outstanding shares of the Issuer and R&F HK and (ii) will not, subject to certain exceptions, directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares of the Issuer or R&F HK.

The Company will undertake that it shall cause the Issuer to have a net worth, and R&F HK to have a consolidated net worth, of at least US\$1.00, respectively, at all times. If the Issuer or R&F HK determines that there is insufficient liquidity for the Issuer, R&F HK or the Subsidiary Guarantors to meet their respective payment obligations as they fall due, the Issuer and R&F HK will promptly notify the Company of the shortfall and the Company will make available to the Issuer and R&F HK, before the due date of the relevant payment obligations, funds sufficient to enable that payment obligation to be met in full as they fall due.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the Company, the Issuer, R&F HK and the Trustee.

Pursuant to the Keepwell Deed, for so long as the Notes are outstanding, the Company will undertake the following:

- (i) cause each of the Issuer and R&F HK to have sufficient liquidity to ensure timely payment by the Issuer of any amounts payable in respect of the Notes (in accordance with the terms and conditions of Notes and the Trust Deed) and its other indebtedness;
- (ii) not create or have any Relevant Indebtedness which is issued outside the PRC unless the Company at the same time (a) provides an unsubordinated guarantee or indemnity in respect of the Notes in a form and substance satisfactory to the Trustee or (b) offers to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- (iii) not create or have outstanding any guarantee or indemnity in respect of any Relevant Indebtedness which is issued outside the PRC without at the same time or prior thereto (a) according to the Notes the same guarantee or indemnity or (b) offering to exchange the Notes for securities issued or guaranteed by the Company with terms substantially identical to those of the Notes as certified by an Independent Investment Bank;
- (iv) procure that the articles of association of each of the Issuer and R&F HK shall not be amended in a manner that is, directly or indirectly, adverse to any holders of the Notes;
- (v) cause the Issuer and R&F HK to remain in full compliance with the Trust Deed and all applicable rules and regulations in the British Virgin Islands and Hong Kong, respectively;

- (vi) use its best efforts to do all such things and take all such actions as may be necessary or desirable to give effect to the Keepwell Deed; and
- (vii) cause the Issuer and R&F HK to take all action necessary in a timely manner to comply with the Company's, the Issuer's and R&F HK's obligations under the Keepwell Deed.

The Keepwell Deed will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer or R&F HK under the laws of any jurisdiction. See "Risk Factors — The Keepwell Deed is not a guarantee of the payment obligations under or in respect of the Notes".

It is acknowledged that in order for the Company to comply with and perform its obligations under the Keepwell Deed, such compliance and performance may be subject to obtaining all necessary approvals, consents and other authorisations from relevant governmental authorities, securities exchanges and quasi-governmental or private bodies.

The Keepwell Deed will be governed by English law and subject to the jurisdiction of the Hong Kong courts. The Keepwell Deed will be made available for inspection during usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) at the corporate trust office of the Trustee, being at the date of this offering memorandum, 39th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong upon provision to the Trustee of prior written request and satisfactory proof of holding.

DESCRIPTION OF THE EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Equity Interest Purchase Undertaking.

Pursuant to the terms of the Equity Interest Purchase Undertaking to be entered into among the Trustee, the Company and R&F HK, the Company will agree to, subject to obtaining all necessary approvals, consents and any other authorisations from the relevant governmental authorities, securities exchanges and quasi-governmental or private bodies, purchase certain equity interests upon receiving a written purchase notice (the “Purchase Notice”) from the Trustee given following receipt by the Trustee of written notice of the occurrence of an Event of Default. The equity interests comprise the interests held by R&F HK or the Relevant Transferor(s) (as defined in the Equity Interest Purchase Undertaking and which includes R&F HK and its subsidiaries incorporated outside the PRC) in the registered capital (the “Equity Interest”) of the direct or indirect PRC-incorporated subsidiaries of the Relevant Transferor(s) (the “Target Subsidiaries”).

Following receipt by the Trustee of written notice of the occurrence of an Event of Default, the Trustee shall issue a Purchase Notice to the Company. Within two business days after the date of the Purchase Notice, the Company shall determine and notify the Trustee which Target Subsidiaries the Equity Interest of which it will purchase or procure to be purchased (if applicable). Furthermore, the Company shall within 10 business days after the date of the Purchase Notice determine the purchase price, denominated in US dollars, for the Equity Interest (the “Purchase Price”). The Company is obliged to determine the Purchase Price in compliance with any applicable PRC laws and regulations and any other applicable terms relating to the Purchase. In any event, the Purchase Price shall not be lower than the amount sufficient to enable the Issuer, R&F HK, the other Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to discharge their full respective obligations under the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Trust Deed, the Agency Agreement and the Equity Interest Purchase Undertaking (including all liabilities, whether actual or contingent, then outstanding).

Within 15 business days after receipt by the Company of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor named in or designated by such Purchase Notice to use best efforts to obtain approval from (a) the requisite number of shareholders, (b) any joint venture partners and (c) any relevant creditors for the relevant Purchase and to execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the relevant Purchase to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents required by applicable laws and regulations of the PRC and shall file the same with MOFCOM or its local counterpart, for approval of the transfer of the Equity Interests.

Within five business days after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance opinion from such tax authority.

Within five business days after completion of the AIC registration and the receipt of the tax clearance opinion, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE (i) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (ii) for remittance of the applicable Purchase Price.

Closing shall take place on the fifth Business Day after the date of receipt of the approvals from SAFE (the “Purchase Closing Date”), and on the Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the applicable Purchase Price payable in immediately available funds in US dollars to such account in New York City as may be designated by such Relevant Transferor.

Upon the completion of each Purchase, each of the Company and R&F HK undertakes to procure the Relevant Transferor for such Purchase to promptly lend or distribute in full the relevant portion of the Purchase Price received by such Relevant Transferor to the Issuer prior to any other use, disposal or transfer of the proceeds received.

The Equity Interest Purchase Undertaking shall remain in full force and effect so long as any of the Notes remain outstanding.

The Equity Interest Purchase Undertaking will be governed by English law and subject to the jurisdiction of the Hong Kong courts.

The Equity Interest Purchase Undertaking will be made available for inspection during usual business hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday other than public holidays) at the corporate trust office of the Trustee, being at the date of this offering memorandum, being at the date hereof at 39th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong upon provision to the Trustee of prior written request and satisfactory proof of holding.

GLOBAL CERTIFICATE

The Notes will be represented by a global certificate (the “Global Certificate”) and the Global Certificate contains certain provisions which modify the effect of the Terms and Conditions of the Notes. Terms defined in the Terms and Conditions of the Notes and the Trust Deed have the same meaning in the paragraphs below. The following is a summary of those provisions and other provisions related to the Global Certificate:

Meetings

The registered holder of, or a proxy for the registered holder of, the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of Notes and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of Notes for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Notes to attend and speak at a meeting of holders of the Notes on appropriate proof of his identity and interest.

Cancellation

Cancellation of any Notes by the Company following its redemption or purchase by the Company will be effected by a reduction in the principal amount of the Global Certificate and in the register of holders of Notes.

Payment

Payments of principal, interest and premium (if any) in respect of any Notes represented by the Global Certificate will be made without presentation, or if no further payment falls to be made in respect of Notes, against presentation and surrender, of the Global Certificate.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Notes may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the terms and conditions of the Notes.

Exchange for Definitive Certificates

Certificates in definitive form for individual holdings of the Notes will not be issued in exchange for interests in the Notes in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which Notes evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of interests in any Notes represented by the Global Certificate will be effected through the records of Euroclear and Clearstream and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream and their respective direct and indirect participants.

Trustee's Powers

In considering the interests of holders of Notes while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Notes and (b) consider such interests on the basis that such accountholders were the holders of the Notes in respect of which the Global Certificate is issued.

Noteholder's Redemption

The Noteholder's option in Condition 5(E) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of the Notes in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer Redemption

The Issuer's option in Conditions 5(B), 5(F) and 5(G) may be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by Condition 5(B), Condition 5(F) or Condition 5(G), as the case may be, except that any such notice shall not be required to contain the serial numbers of Notes drawn for redemption in the case of a partial redemption of Notes and accordingly no drawing of Notes for redemption shall be required.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong, PRC, Malaysia, Singapore and European Union tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

British Virgin Islands

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposition or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distributions is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Notes (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest

The EIT Law, effective 1 January 2008, imposes a tax at the rate of 10% on interest paid to holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the EIT Law, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes will be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains

The EIT Law imposes a tax at the rate of 10% on capital gains realised by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the EIT Law, if we are or R&F HK considered a PRC resident enterprise, the capital gains realised by non-resident enterprise holders of the Notes will be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of the Notes.

Malaysia

Stamp Duty

No stamp duty or other documentary tax of any kind imposed by any governmental or other regulatory authorities in Malaysia is payable in connection with the execution and delivery or transfer of the Notes, except that an ad valorem stamp duty of 0.5% of the aggregate loan amount (subject to a maximum of 500 Malaysian Ringgit being a loan that is made in a currency other than the Ringgit) is payable in Malaysia in relation to the execution and delivery of the share charge by Profit Range Holdings Limited in relation to the shares of R&F Development Sdn Bhd and the share charge by Jinbo Investments Limited in relation to the shares of R&F Mega Realty Sdn Bhd which, if brought into Malaysia, within 30 days from when they were first received in Malaysia.

Withholding Tax

All payments of principal in respect of the Notes may be made without withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in Malaysia. However, payments within the scope of Section 107(A) and Section 109 of the Income Tax Act, 1967 from any person to a non-resident person will be subject to withholding tax at the prescribed rate. For the payment of interest to non-resident persons, the withholding tax rate is 15%.

Income Tax

Malaysian income tax is charged on every person carrying on a trade, profession or business in Malaysia in respect of assessable profits arising in or derived from Malaysia from such trade, profession or business. Malaysian income tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Malaysia. Although no tax is imposed in Malaysia in respect of capital gains, Malaysian profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Malaysia.

Singapore

Stamp Duty

No stamp duty or other documentary tax of any kind imposed by any governmental or other regulatory authorities in Singapore is payable in connection with the execution and delivery or transfer of the Notes, except that stamp duty of up to a maximum of 500 Singapore Dollars is payable in Singapore in relation to the execution and delivery of the share charge by Radiant Ace Global Limited in relation to the shares of R&F Development Pte Ltd within 14 days after it has first been executed in Singapore, or, if executed outside of Singapore, within 30 days after it has been first received in Singapore.

Withholding Tax

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore ("ITA"), the following payments are deemed to be derived from Singapore:

- a. any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident

in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

- b. any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22% (except for the scenario described below). However, if the payment is derived by a person not resident in Singapore other than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 10% or 15% depending on the type of payment. The withholding tax rates may be reduced by applicable tax treaties, subject to conditions being met.

Certain Singapore-sourced investment income derived by individual Noteholders from financial instruments is exempt from tax, including:

- a. interest from debt securities;
- b. discount income (not including discount income arising from secondary trading) from debt securities; and
- c. prepayment fees, redemption premiums and break costs from debt securities,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39-Financial Instruments: Recognition and Measurement” (the “FRS 39 Circular”). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Noteholders who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

FATCA Withholding

Whilst the Notes are in global form and held within Euroclear or Clearstream (together, the “ICSDs”), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that

any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the securities. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in remote circumstances.

PLAN OF DISTRIBUTION

The Issuer, the Company, R&F HK and the other Subsidiary Guarantors have entered into a subscription agreement with Goldman Sachs (Asia) L.L.C., China Silk Road International Capital Limited, CLSA Limited, Deutsche Bank AG, Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, Sun Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, China CITIC Bank International Limited, CMB International Capital Limited, Morgan Stanley & Co. International plc, Citigroup Global Markets Limited and Haitong International Securities Company Limited (collectively, the “Joint Lead Managers”) dated 13 November 2017 (the “Subscription Agreement”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and each Joint Lead Manager named below has severally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for the principal amount of the Notes set forth opposite such Joint Lead Manager’s name.

<u>Joint Lead Manager</u>	<u>Principal Amount of Notes</u>
Goldman Sachs (Asia) L.L.C.	US\$164,000,000
China Silk Road International Capital Limited.	US\$100,000,000
CLSA Limited.	US\$ 50,000,000
Deutsche Bank AG, Hong Kong Branch	US\$ 76,000,000
Guotai Junan Securities (Hong Kong) Limited.	US\$ 25,000,000
Sun Securities Limited.	US\$ 0
Industrial Bank Co., Ltd. Hong Kong Branch	US\$ 50,000,000
China CITIC Bank International Limited.	US\$ 10,000,000
CMB International Capital Limited.	US\$ 15,000,000
Morgan Stanley & Co. International plc	US\$ 4,166,667
Citigroup Global Markets Limited	US\$ 4,166,667
Haitong International Securities Company Limited.	US\$ 1,666,667
Total	<u><u>US\$500,000,000</u></u>

The Subscription Agreement provides that the Issuer, the Company, R&F HK and the other Subsidiary Guarantors jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer. In addition, the Issuer has agreed with the Joint Lead Managers that private banks be paid a commission in connection with the purchase of the Notes by their private bank clients.

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

The Joint Lead Managers or their affiliates may purchase Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Notes or in secondary market transactions.

Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

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

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

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

We expect that delivery of the Notes will be made against payment therefor on or about the Closing Date, which will be on or about the fourth business day following the pricing date of the Notes (this settlement cycle being referred to as “T+4”). Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

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

Selling Restrictions

United States

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

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

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

United Kingdom

The Joint Lead Managers have represented and agreed that:

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

Hong Kong

The Joint Lead Managers have represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Winding Up and Miscellaneous Provisions) (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

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

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;
 - (iv) as specified in Section 276(7) of the SFA; or
 - (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

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

Bermuda

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

British Virgin Islands

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

United Arab Emirates

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

RATINGS

The Notes are expected to be rated BB with a rating watch negative by Fitch. We have been given a corporate rating of “Ba3” with a negative outlook by Moody’s Investors Service, “B+” with a stable outlook by Standard & Poor’s Ratings Services and “BB” with a rating watch negative by Fitch. The ratings not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on us.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin LLP as to matters of English law, Sidley Austin as to matters of Hong Kong law, King & Wood Mallesons as to matters of PRC law, Harney Westwood & Riegels as to BVI law and Morgan Lewis Stamford LLC as to Malaysia and Singapore law. Certain legal matters will be passed upon for the Joint Lead Managers by Linklaters as to matters of Hong Kong and English law and Jun He Law Offices as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial information of the Group as of and for each of the years ended 31 December 2014, 2015 and 2016 has been derived from our consolidated financial statements for the years ended 31 December 2015 and 2016, which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and are included elsewhere in this offering memorandum. The unaudited consolidated financial information of the Group as of and for the six months ended 30 June 2016 and 2017 has been derived from our unaudited consolidated financial statements for the six months ended 30 June 2017, which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, and are included elsewhere in this offering memorandum.

The unaudited consolidated financial information of R&F HK as of and for each of the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, as stated in their review report set forth herein, and are included elsewhere in this offering memorandum.

GENERAL INFORMATION

Documents Available

For so long as any of the Notes are outstanding, copies of the Trust Deed may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified office of the Principal Agent upon prior written request and satisfactory proof of holding.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified office of the Principal Agent.

For a period of not less than fourteen calendar days from the date of the listing of the Notes, the following documents (or copies thereof) will be available for inspection at the registered office of the Issuer, without charge: (a) the constitutional documents of the Issuer; (b) all material contracts pertaining to the issue of the Notes; and (c) all reports, letters, valuation or other documents any part of which is included or referred to in this offering memorandum, where applicable.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	Common Code
XS1720054383	172005438

Listing of the Notes

Application will be made for the listing and quotation of the Notes on the SGXST.

The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST. Admission of the Notes to the SGX-ST is not to be taken as an indication of the merits of the Issuer, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a Global Certificate is exchanged for definitive Notes. In addition, in the event that a Global Certificate is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Reliance by the Trustee and the Security Trustee and certain Relationships

The Trustee and the Security Trustee are entitled under the Trust Deed to rely without liability to the holders of the Notes on certificates prepared by the directors of the Company, R&F HK, other Subsidiary Guarantors, the JV Subsidiary Guarantors and the Issuer, which may be accompanied by a certificate or report prepared by an internationally recognised firm of accountants to the Company, whether or not addressed to the Trustee or, as the case may be, the

Security Trustee, and whether or not the same are subject to any limitation on the liability of the internationally recognised firm of accountants to the Company and whether by reference to a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under the terms and conditions or the Trust Deed. Any such certificate or report shall be conclusive and binding on the Issuer, the Company, R&F HK, the other Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee, the Security Trustee and the holders of the Notes.

The Trustee and the Security Trustee are affiliates of Citigroup Inc., which is a substantial shareholder of the Company. See “Substantial Shareholders”.

Litigation

Save as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since 30 June 2017 that is material in the context of the issue of the Notes.

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Notes:

- (1) The unaudited consolidated financial statements set out herein have been reproduced from the Company's interim report for the six months ended 30 June 2017, and page references are to pages set forth in such interim report. The unaudited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended 31 December 2016, and page references are to pages set forth in such annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (3) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended 31 December 2015, and page references are to pages set forth in such annual report. The audited consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (4) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s interim report for the six months ended 30 June 2017, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (5) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s review report for the year ended 31 December 2016, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.
- (6) The unaudited condensed consolidated financial statements set out herein have been reproduced from the R&F (HK)'s review report for the year ended 31 December 2015, and page references are to pages set forth in such interim report. The unaudited condensed consolidated financial statements have not been specifically prepared for inclusion in this offering memorandum.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2017	Audited 31 December 2016
ASSETS			
Non-current assets			
Land use rights	8	2,164,766	1,933,706
Property, plant and equipment	8	11,458,691	10,928,178
Investment properties	8	22,995,277	22,068,681
Intangible assets	8	1,037,045	1,079,572
Interests in joint ventures	9	6,962,734	6,795,392
Interests in associates	10	181,990	166,908
Deferred income tax assets		5,107,848	4,253,861
Available-for-sale financial assets		532,500	710,130
Trade and other receivables and prepayments	11	297,820	97,420
		50,738,671	48,033,848
Current assets			
Properties under development		102,988,154	81,134,542
Completed properties held for sale		27,138,655	26,783,018
Inventories		267,022	325,932
Trade and other receivables and prepayments	11	26,750,862	21,582,812
Tax prepayments		3,387,622	2,582,245
Restricted cash	12	16,737,481	20,663,067
Cash and cash equivalents		15,683,689	25,306,015
		192,953,485	178,377,631
Total assets		243,692,156	226,411,479

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited 30 June 2017	Audited 31 December 2016
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	805,592	805,592
Other reserves		4,525,596	4,679,469
Retained earnings		38,440,072	38,293,091
		43,771,260	43,778,152
Perpetual capital instruments	14	2,403,933	2,404,327
Non-controlling interests		850,640	653,718
Total equity		47,025,833	46,836,197
LIABILITIES			
Non-current liabilities			
Long-term borrowings	15	97,803,332	87,170,166
Deferred income tax liabilities		5,360,676	4,930,892
		103,164,008	92,101,058
Current liabilities			
Accruals and other payables	16	25,199,175	21,951,465
Deposits received on sale of properties		30,535,114	19,546,810
Current income tax liabilities		12,429,166	12,294,031
Short-term borrowings	15	9,448,199	10,631,230
Current portion of long-term borrowings	15	15,890,661	23,050,688
		93,502,315	87,474,224
Total liabilities		196,666,323	179,575,282
Total equity and liabilities		243,692,156	226,411,479

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2017	2016
Revenue	6	20,413,922	22,389,435
Cost of sales		(13,021,536)	(16,706,704)
Gross profit		7,392,386	5,682,731
Other income	17	199,002	127,550
Other gains – net	18	532,687	851,391
Selling and marketing costs		(723,874)	(521,826)
Administrative expenses		(1,514,901)	(1,270,808)
Operating profit		5,885,300	4,869,038
Finance costs	19	(968,381)	(1,000,874)
Share of results of associates		24,921	(14,854)
Share of results of joint ventures		(70,874)	178,463
Profit before income tax		4,870,966	4,031,773
Income tax expenses	20	(2,390,213)	(1,607,614)
Profit for the period		2,480,753	2,424,159
Profit/(loss) attributable to:			
– Owners of the Company		2,402,638	2,225,015
– Holders of perpetual capital instruments	14	71,193	199,917
– Non-controlling interests		6,922	(773)
		2,480,753	2,424,159
Basic and diluted earnings per share for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)		0.7456	0.6925

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June 2017	2016
Profit for the period		2,480,753	2,424,159
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
– Fair value losses on available-for-sale financial assets, net of tax		(133,223)	(115,763)
– Currency translation differences		(22,528)	(65,111)
Other comprehensive loss for the period, net of tax		(155,751)	(180,874)
Total comprehensive income for the period		2,325,002	2,243,285
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		2,246,887	2,044,141
– Holders of perpetual capital instruments	14	71,193	199,917
– Non-controlling interests		6,922	(773)
		2,325,002	2,243,285

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited							
	Attributable to owners of the Company							Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-controlling interests	
Balance at 1 January 2017	805,592	–	4,679,469	38,293,091	43,778,152	2,404,327	653,718	46,836,197
Total comprehensive income for the period ended 30 June 2017	–	–	(155,751)	2,402,638	2,246,887	71,193	6,922	2,325,002
Transactions with owners								
Changes in ownership interests in subsidiaries without change of control	–	–	1,878	–	1,878	–	(15,973)	(14,095)
Acquisition of subsidiaries	–	–	–	–	–	–	174,573	174,573
Capital contributions from non-controlling interests	–	–	–	–	–	–	31,400	31,400
Dividends for the year	–	–	–	(2,255,657)	(2,255,657)	–	–	(2,255,657)
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(71,587)	–	(71,587)
Total transactions with owners	–	–	1,878	(2,255,657)	(2,253,779)	(71,587)	190,000	(2,135,366)
Balance at 30 June 2017	805,592	–	4,525,596	38,440,072	43,771,260	2,403,933	850,640	47,025,833
Balance at 1 January 2016	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380
Total comprehensive income for the period ended 30 June 2016	–	–	(180,874)	2,225,015	2,044,141	199,917	(773)	2,243,285
Transactions with owners								
Acquisition of subsidiaries	–	–	–	–	–	–	(218,755)	(218,755)
Capital contributions from non-controlling interests	–	–	–	–	–	–	10,000	10,000
Disposals of shares held for Share Award Scheme	–	88,947	44,570	–	133,517	–	–	133,517
Additions of perpetual capital instruments (Note 14)	–	–	–	–	–	2,400,000	–	2,400,000
Redemptions of perpetual capital instruments (Note 14)	–	–	–	–	–	(7,900,000)	–	(7,900,000)
Distributions to holders of perpetual capital instruments (Note 14)	–	–	–	–	–	(273,719)	–	(273,719)
Total transactions with owners	–	88,947	44,570	–	133,517	(5,773,719)	(208,755)	(5,848,957)
Balance at 30 June 2016	805,592	–	4,454,644	37,629,038	42,889,274	2,404,067	318,367	45,611,708

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited Six months ended 30 June	
	2017	2016
Cash flows from operating activities		
– Cash (used in)/generated from operations	(2,114,290)	4,136,858
– Interest paid	(3,541,115)	(2,706,815)
– Enterprise income tax and land appreciation tax paid	(3,012,306)	(2,664,662)
Net cash used in operating activities	(8,667,711)	(1,234,619)
Cash flows from investing activities		
– Purchases of property, plant and equipment and land use rights	(978,516)	(467,738)
– Purchases of intangible assets	(32,613)	(101,017)
– Addition of investment properties	(111,996)	–
– Proceeds on disposals of property, plant and equipment	3,437	29,819
– Proceeds on disposals of intangible assets	96,000	128,000
– Proceeds on disposals of an associate	240,623	–
– Acquisition of subsidiaries, net of cash acquired	(894,121)	(115,165)
– Prepayment for acquisition of a subsidiary	(200,400)	–
– Cash advances relating to acquisitions of subsidiaries	(1,540,000)	–
– Investments in available-for-sale financial assets, joint ventures and associates	(533,398)	(122,100)
– Cash advanced to joint ventures and associates	(862,952)	–
– Cash repayments from joint ventures and associates	1,901,402	–
– Dividends received on available-for-sale financial assets and an associate	42,070	13,204
– Decrease in time deposits	–	392,279
– Interest received	116,364	78,965
Net cash used in investing activities	(2,754,100)	(163,753)
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	25,800,988	40,310,909
– Proceeds from issuance of perpetual capital instruments	–	2,400,000
– Redemptions of perpetual capital instruments	–	(7,900,000)
– Repayments of borrowings	(24,352,914)	(18,132,030)
– Repayments of finance lease liabilities	(25,854)	(25,111)
– Decrease/(increase) in guarantee deposits for borrowing	2,779,074	(30,911)
– Proceeds from disposals of shares held for Share Award Scheme	–	133,517
– Capital contributions from non-controlling interests	31,400	10,000
– Purchases of non-controlling interests	(1,500)	–
– Dividends paid to owners of the Company	(2,255,657)	–
– Distributions paid to holders of perpetual capital instruments	(71,587)	(273,719)
Net cash generated from financing activities	1,903,950	16,492,655
Net (decrease)/increase in cash and cash equivalents	(9,517,861)	15,094,283
Cash and cash equivalents at the beginning of the period	25,306,015	13,970,313
Exchange losses	(104,465)	(88,988)
Cash and cash equivalents at the end of the period	15,683,689	28,975,608

The notes on pages 26 to 57 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are mainly engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45-54/F, R&F Center, No. 10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

This condensed consolidated interim financial information is presented in RMB Yuan thousands (RMB’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 22 August 2017.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(a) Amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on 1 January 2017.

<u>Standards</u>	<u>Subject of amendment</u>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKAS 7	Disclosure initiative
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of the above amended standards did not have a material impact on the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group

New and amended standards that have been issued and are effective for periods commencing on or after 1 January 2018 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group, except those set out in Note (i), (ii) and (iii).

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15 Revenue from contracts with customers

The Hong Kong Institute of Certified Public Accountants (the “HKICPA”) has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(ii) HKFRS 9 Financial instruments

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A FVOCI election is available for the equity instruments which are currently classified as available-for-sale (AFS) financial asset; and
- The Group does not have any other financial assets affected by the new guidance.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

3. ACCOUNTING POLICIES (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(iii) HKFRS 16 Leases (continued)

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB108,983,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management policies since 31 December 2016.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 30 June 2017					
Borrowings (excluding finance lease liabilities) (Note (1))	30,644,456	22,198,907	69,235,018	22,198,589	144,276,970
Finance lease liabilities	99,729	95,517	91,305	–	286,551
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	13,839,259	–	–	–	13,839,259
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	33,972,483	–	–	–	33,972,483
Guarantees in respect of borrowings of joint ventures and associates	400,761	1,049,905	2,038,341	1,497,306	4,986,313
At 31 December 2016					
Borrowings (excluding finance lease liabilities) (Note (1))	39,530,372	21,535,523	49,794,689	27,174,137	138,034,721
Finance lease liabilities	114,391	97,623	138,538	–	350,552
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	18,231,502	–	–	–	18,231,502
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	33,406,812	–	–	–	33,406,812
Guarantees in respect of borrowings of joint ventures and associates	870,485	1,464,407	2,316,888	862,576	5,514,356

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 30 June 2017 and 31 December 2016 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2017 and 31 December 2016 respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital markets or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the condensed consolidated interim balance sheet) less cash and cash equivalents and restricted cash.

The gearing ratio is calculated as follows:

	As at	
	30 June 2017	31 December 2016
Total borrowings (Note 15)	123,142,192	120,852,084
Less: cash and cash equivalents restricted cash	(15,683,689) (16,737,481)	(25,306,015) (20,663,067)
Net debt	90,721,022	74,883,002
Total equity	47,025,833	46,836,197
Gearing ratio	192.9%	159.9%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, categorised into three different levels within a fair value hierarchy based on the type of input to valuation techniques used to estimate the fair value. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 30 June 2017 and 31 December 2016, the Group's financial assets that are measured at fair value are available-for-sale financial assets, which are categorised as level 3.

There were no transfers between level 1, level 2 and level 3 and no changes in valuation techniques during the period.

Level 3 financial instruments

	Six months ended 30 June	
	2017	2016
Available-for-sale financial assets		
Opening balance	710,130	645,140
Additions	–	102,100
Fair value losses recognised as other comprehensive loss	(177,630)	(154,350)
Closing balance	532,500	592,890

The fair value of the Group's major available-for-sale financial assets was revalued on 30 June 2017 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value loss on the equity investments was included in "other comprehensive loss".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair values and carrying amounts of domestic bonds, medium-term notes and senior notes are disclosed in Note 15.

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Cash and cash equivalents
- Accruals and other payables
- Borrowings except for domestic bonds, medium-term notes and senior notes
- Financial lease liabilities

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the period. The information provided to the Executive Directors is measured in a manner consistent with that in the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2017 and 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2017					
Segment revenue	18,234,991	496,472	751,220	1,073,393	20,556,076
Inter-segment revenue	-	(48,685)	(27,438)	(66,031)	(142,154)
Revenue from external customers	18,234,991	447,787	723,782	1,007,362	20,413,922
Profit/(loss) for the period	2,272,740	595,269	(89,027)	(298,229)	2,480,753
Finance costs	(760,865)	(70,486)	(120,857)	(16,173)	(968,381)
Share of results of joint ventures	(70,874)	-	-	-	(70,874)
Share of results of associates	25,485	-	-	(564)	24,921
Income tax (expenses)/credits	(2,309,411)	(197,960)	29,676	87,482	(2,390,213)
Depreciation and amortisation	(123,608)	-	(163,719)	(35,586)	(322,913)
Allowance for impairment losses of receivables	(9,425)	-	(1,090)	(772)	(11,287)
Fair value gains on investment properties – net of tax	-	359,792	-	-	359,792
Six months ended 30 June 2016					
Segment revenue	20,495,398	433,745	664,262	931,532	22,524,937
Inter-segment revenue	-	(33,616)	(28,563)	(73,323)	(135,502)
Revenue from external customers	20,495,398	400,129	635,699	858,209	22,389,435
Profit/(loss) for the period	2,070,208	693,768	(113,501)	(226,316)	2,424,159
Finance costs	(772,994)	(58,165)	(94,013)	(75,702)	(1,000,874)
Share of results of joint ventures	178,463	-	-	-	178,463
Share of results of associates	(14,501)	-	-	(353)	(14,854)
Income tax (expenses)/credits	(1,485,810)	(229,782)	37,834	70,144	(1,607,614)
Depreciation and amortisation	(108,290)	-	(156,128)	(35,997)	(300,415)
Allowance for impairment losses of receivables	(14,235)	-	(235)	(21)	(14,491)
Fair value gains on investment properties – net of tax	-	538,360	-	-	538,360

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the condensed consolidated interim income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2017					
Segment assets	203,140,793	22,995,277	10,715,653	1,200,085	238,051,808
Segment assets include:					
Interests in joint ventures	6,962,734	-	-	-	6,962,734
Interests in associates	101,274	-	-	80,716	181,990
Additions to non-current assets (other than financial instruments and deferred tax assets)	797,634	447,336	186,147	30,671	1,461,788
Segment liabilities	54,208,071	-	315,432	1,210,786	55,734,289
As at 31 December 2016					
Segment assets	187,983,198	22,068,681	10,270,067	1,125,542	221,447,488
Segment assets include:					
Interests in joint ventures	6,795,392	-	-	-	6,795,392
Interests in associates	85,628	-	-	81,280	166,908
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,380,249	1,075,918	381,496	177,918	3,015,581
Segment liabilities	40,272,496	-	347,936	877,843	41,498,275

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACQUISITION OF GUANGDONG XINTIANHONG PROPERTY DEVELOPMENT CO., LTD.

On 5 January 2017, the Group completed an acquisition of 75% equity interests in Guangdong Xintianhong Property Development Co., Ltd. ("Guangdong Tianhong Property") from Xintianhong Investment Co., Ltd. and Tian An (Guangzhou) Investment Co., Ltd. at a consideration of RMB444,285,000. The acquisition is expected to enable the Group to penetrate in property market in Foshan.

The following table summarises the consideration paid for Guangdong Tianhong Property, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	5 January 2017
Purchase consideration	
– Cash paid	444,285
Recognised amounts of identifiable assets acquired and liabilities assumed	
Fair value	
Cash	4,723
Properties under development	1,842,521
Property, plant and equipment	818
Investment properties	335,340
Other receivables and prepayments	1,372
Accruals and other payables	(420,532)
Deposits received on sale of properties	(56,842)
Long-term borrowings	(1,096,000)
Net deferred tax liabilities	(19,020)
Total identifiable net assets	592,380
Non-controlling interest	(148,095)
	444,285
Cash outflow on acquisition, net of cash acquired	
Total cash consideration paid in the six months ended 30 June 2017	444,285
Less: cash and cash equivalents in the subsidiary acquired	(4,723)
Cash outflow on acquisition in the six months ended 30 June 2017	439,562

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

7. ACQUISITION OF GUANGDONG XINTIANHONG PROPERTY DEVELOPMENT CO., LTD. (continued)

(a) Acquired receivables

The fair value of other receivables is RMB412,000 and Guangdong Tianhong Property does not include any trade receivables.

(b) Non-controlling interest

The Group has chosen to recognise the non-controlling interest at the proportion of net assets acquired shared by the non-controlling interest, which is 25%.

(c) Revenue and profit contribution

The acquired business did not contribute any revenue but a net profit of RMB10,016,000 to the Group for the period from 5 January 2017 to 30 June 2017.

8. CAPITAL EXPENDITURE

	Property, plant and equipment				
	Intangible assets	Investment properties	Owned assets	Assets acquired under finance lease	Land use rights
Six months ended 30 June 2017					
At 1 January 2017	1,079,572	22,068,681	10,204,711	723,467	1,933,706
Additions	32,613	111,996	628,104	104,450	248,467
Transfers from properties under development	-	-	74,057	-	20,783
Currency translation differences	20	-	93	-	-
Acquisition of a subsidiary	-	335,340	818	-	-
Disposals	(38,783)	-	(3,115)	-	-
Fair value gains (included in other gains – net)	-	479,260	-	-	-
Depreciation and amortisation	(36,377)	-	(240,841)	(33,053)	(38,190)
At 30 June 2017	1,037,045	22,995,277	10,663,827	794,864	2,164,766
Six months ended 30 June 2016					
At 1 January 2016	1,034,849	19,251,951	8,706,730	303,134	1,264,041
Additions	101,017	1,075,918	322,846	5,017	185,128
Currency translation differences	(7)	-	684	-	-
Acquisitions of subsidiaries	180	-	871,082	-	49,811
Disposals	(34,301)	-	(5,656)	-	-
Fair value gains (included in other gains – net)	-	717,114	-	-	-
Depreciation and amortisation	(38,694)	-	(226,678)	(12,720)	(22,323)
At 30 June 2016	1,063,044	21,044,983	9,669,008	295,431	1,476,657

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE (continued)

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2017, 30 June 2016 and 31 December 2016. The fair value gains or losses are included in "other gains – net" (Note 18).

As at 30 June 2017, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(b) Valuation processes of the Group

The Group's investment properties were revalued on 30 June 2017 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held among the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports; and
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(c) Valuation techniques

For completed office and retail buildings, the valuations were based on the term and reversionary method, which largely used unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease.

For car parks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

There were no changes to the valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

8. CAPITAL EXPENDITURE (continued)

(d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, reversionary yield, market price and market rent

For completed investment properties, increase in term yield and reversionary yields may result in decrease of fair value. Increase in market price and market rent may result in increase of fair value.

9. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2017	2016
At 1 January	6,795,392	5,954,631
Addition	238,398	–
Acquisition of a subsidiary	–	78,793
Share of results	(70,874)	178,463
Elimination of unrealised profits	(182)	(697)
At 30 June	6,962,734	6,211,190

10. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2017	2016
At 1 January	166,908	71,052
Addition	295,000	20,000
Disposal (Note (a))	(254,082)	–
Share of results	6,001	739
Dividends received from an associate	(31,837)	–
At 30 June	181,990	91,791

- (a) The Group disposed its associate, 廣州利合房地產開發有限公司 (“廣州利合”) on 29 June 2017 at a consideration of RMB240,623,000, losses from which of RMB13,459,000 has been included in “other gains – net” in the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at	
	30 June	31 December
	2017	2016
Trade receivables – net	6,701,928	7,175,084
Other receivables – net	16,821,280	11,747,174
Prepayments	2,317,569	1,662,690
Due from joint ventures (Note 24(f))	1,107,705	1,053,003
Due from associates (Note 24(f))	100,200	42,281
Total	27,048,682	21,680,232
Less: non-current portion	(297,820)	(97,420)
Current portion	26,750,862	21,582,812

As at 30 June 2017, trade receivables were mainly derived from sales of properties. Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

	As at	
	30 June	31 December
	2017	2016
Trade receivables – current portion	6,737,991	7,209,024
Less: allowance for impairment	(36,063)	(33,940)
	6,701,928	7,175,084

At 30 June 2017 and 31 December 2016, the ageing analysis of trade receivables is as follows:

	As at	
	30 June	31 December
	2017	2016
Up to 1 year	5,547,253	6,180,202
1 year to 2 years	412,914	391,554
2 years to 3 years	247,619	511,180
Over 3 years	530,205	126,088
	6,737,991	7,209,024

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

12. RESTRICTED CASH

	As at	
	30 June 2017	31 December 2016
Guarantee deposits for borrowings (Note (a))	10,167,118	12,947,855
Guarantee deposits for construction of pre-sold properties (Note (b))	5,610,877	6,455,545
Guarantee deposits for salary payments for construction workers (Note (c))	298,286	334,149
Guarantee deposits for interest of senior notes (Note (d))	141,204	476,981
Guarantee deposits for mortgage loans provided to customers (Note (e))	102,410	68,265
Guarantee deposits for construction payables (Note (f))	46,877	43,191
Guarantee deposits for resettlement costs (Note (g))	36,051	35,960
Others (Note (h))	334,658	301,121
	16,737,481	20,663,067

Notes:

- (a) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (c) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at a designated bank account certain cash deposits as security for salary payments for construction workers. Such guarantee deposits will only be released after completion of the construction of relevant properties.
- (d) According to the relevant contracts, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes.
- (e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (f) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (g) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (h) Others mainly include guarantee deposits for letters of credit.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

13. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 30 June 2017 and 31 December 2016		
– Domestic shares	2,207,109	551,777
– H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited.

As at 30 June 2017 and 31 December 2016, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

14. PERPETUAL CAPITAL INSTRUMENTS

	Six months ended 30 June	
	2017	2016
At 1 January	2,404,327	7,977,869
Additions	–	2,400,000
Redemptions	–	(7,900,000)
Profit attributable to holders of perpetual capital instruments	71,193	199,917
Distributions to holders of perpetual capital instruments	(71,587)	(273,719)
At 30 June	2,403,933	2,404,067

The perpetual capital instruments are guaranteed by the Company. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the perpetual capital instruments are classified as equity instruments and recorded in equity in the condensed consolidated interim balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS

	As at 30 June 2017	31 December 2016
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
– Secured	38,794,915	32,646,591
– Unsecured	4,406,600	4,203,550
	43,201,515	36,850,141
Domestic bonds (Note (b))		
– Unsecured	48,779,051	48,697,974
Medium-term notes (Note (c))		
– Unsecured	996,034	–
Senior notes (Note (d))		
– Secured	4,815,860	11,550,207
Other borrowings (Note (e))		
– Secured	15,135,000	12,299,000
– Unsecured	500,000	500,000
	15,635,000	12,799,000
Finance lease liabilities (Note (f))		
– Secured	266,533	323,532
Less: current portion of long-term borrowings	(15,890,661)	(23,050,688)
	97,803,332	87,170,166
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
– Secured	7,779,699	8,619,900
– Unsecured	598,500	598,000
	8,378,199	9,217,900
Other borrowings (Note (e))		
– Secured	530,000	580,000
– Unsecured	540,000	833,330
	1,070,000	1,413,330
	9,448,199	10,631,230
Current portion of long-term borrowings	15,890,661	23,050,688
Total borrowings	123,142,192	120,852,084

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(a) Bank borrowings

- (i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2017	2016
At 1 January	46,068,041	38,921,195
Additions	15,974,061	8,386,179
Acquisition of a subsidiary	796,000	2,779,910
Repayments	(11,090,698)	(9,220,124)
Foreign exchange gains	(167,690)	–
At 30 June	51,579,714	40,867,160

(b) Domestic bonds

(i) 2015 Bonds

The Company issued 65,000,000 units of corporate bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015 (the “2015 Bonds”). The 2015 Bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the 2015 Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate by up to 100 basis points for the remaining periods. The 2015 Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

(ii) 2016 Bonds

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the “Original 2016 Bonds”).

The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the “Additional 2016 Bonds I”). The interest rates of the Original 2016 Bonds and Additional 2016 Bonds I are fixed at 3.95% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rates for the remaining periods. The Original 2016 Bonds and Additional 2016 Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Bonds II”). The interest rate of the Additional 2016 Bonds II is fixed at 3.48% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Bonds III and, together with the Original 2016 Bonds, the Additional 2016 Bonds I and II, the “2016 Bonds”). The interest rate of the Additional 2016 Bonds III is fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(b) Domestic bonds (continued)

(ii) 2016 Bonds (continued)

The net proceeds of all the 2016 Bonds, after deducting the transaction costs, amounted to RMB12,382,400,000. The 2016 Bonds were listed on the Shanghai Stock Exchange.

(iii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the “Original 2016 Non-public Bonds”). The interest rate of the Original 2016 Non-public Bonds are fixed at 5.20% per annum. On the third anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 104,000,000 units of non-public bonds at a par value of RMB10.4 billion in the PRC on 30 May 2016 (the “Additional 2016 Non-public Bonds I”). The interest rate of the Additional 2016 Non-public Bonds I is fixed at 5.15% per annum. On the second anniversary of the issue date, the Company will have an option to increase the interest rate for the remaining periods. The Additional 2016 Non-public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 93,000,000 units of non-public bonds at a par value of RMB9.3 billion in the PRC on 29 June 2016 (the “Additional 2016 Non-public Bonds II”). The interest rate of the Additional 2016 Non-public Bonds II is fixed at 5.00% per annum. On the second anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds II will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the “Additional 2016 Non-public Bonds III” and, together with the Original 2016 Non-public Bonds, the Additional 2016 Non-public Bonds I and II, the “2016 Non-public Bonds”). The interest rate of the Additional 2016 Non-public Bonds III is fixed at 4.39% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds III will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The net proceeds of the 2016 Non-public Bonds, after deducting the transaction costs, amounted to RMB29,769,400,000.

(iv) Fair value and movement of domestic bonds

The fair values of the 2015 Bonds and 2016 Bonds as at 30 June 2017 amounted to RMB18,790,775,000. The fair values were determined by reference to the price quotations published on 30 June 2017 and were within level 1 of the fair value hierarchy.

The fair value of the 2016 Non-public Bonds as at 30 June 2017 amounted to RMB30,099,254,000. The fair values were based on cash flows discounted at the borrowing rate of 4.9% and 4.75%, respectively, and were within level 2 of the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(b) Domestic bonds (continued)

(iv) Fair value and movement of domestic bonds (continued)

The movements of domestic bonds are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	48,697,974	6,429,519
Additions	–	27,260,400
Interest charged (Note 19)	1,220,190	453,622
Interest paid or included in other payables	(1,139,113)	(436,045)
At 30 June	48,779,051	33,707,496

(c) Medium-term notes

On 27 April 2017, the Company issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the “2017 Medium-term Notes I”). The interest rate of the 2017 Medium-term Notes I is fixed at 5.25% per annum. The 2017 Medium-term Notes I will mature after three years from the issue date.

The net proceeds of the 2017 Medium-term Notes I, after deducting the transaction costs, amounted to RMB995,800,000.

The fair value of the 2017 Medium-term Notes I as at 30 June 2017 amounted to RMB1,012,933,000. The fair value was based on cash flows discounted at the borrowing rate of 4.75%, and was within level 2 of the fair value hierarchy.

The movements of medium-term notes are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	–	–
Additions	995,800	–
Interest charged (Note 19)	9,438	–
Interest paid or included in other payables	(9,204)	–
At 30 June	996,034	–

(d) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited (“Caifu”) issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the “Original Notes”).

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the “Additional Notes” and, together with the Original Notes, the “2013 Notes”). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(d) Senior notes (continued)

(i) 2013 Notes (continued)

On 24 January 2017, Caifu redeemed the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,294,322,000 plus the accrued and unpaid interest of RMB180,002,000 as of 24 January 2017.

(ii) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,220,564,000 plus the accrued and unpaid interest of RMB294,364,000 as of 10 January 2017.

(iii) 2017 Notes

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited ("Easy Tactic") issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the "2017 Original Notes").

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the "2017 Additional Notes" and, together with the 2017 Original Notes, the "2017 Notes"). The net proceeds of the 2017 Notes, after deducting the transaction costs, amounted to RMB4,880,042,000.

As at 30 June 2017, the 2017 Notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.25% to 9.14% (2016: 8.87% to 12.25%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	11,550,207	12,776,880
Issuance of the 2017 Notes	4,880,042	–
Redemption	(11,040,521)	(2,572,906)
Early redemption premium paid	(474,365)	–
Interest charged (Note 19)	197,473	574,435
Interest paid or included in other payables	(161,753)	(544,376)
Foreign exchange (gains)/losses	(135,223)	272,725
At 30 June	4,815,860	10,506,758

The fair values of the senior notes as at 30 June 2017 amounted to RMB4,910,899,000 (31 December 2016: RMB11,599,885,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on 30 June 2017 and is within level 1 of the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(e) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

The effective interest rate of these funding arrangements ranged from 4.75% to 13.18% (2016: 5.23% to 13.18%).

The movements of other borrowings are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	14,212,330	24,250,527
Additions	3,940,000	4,664,330
Acquisition of a subsidiary	300,000	100,000
Repayments	(1,747,330)	(6,339,000)
Interest charged (Note 19)	479,130	1,045,370
Interest paid or included in other payables	(479,130)	(1,069,549)
At 30 June	16,705,000	22,651,678

(f) Finance lease liabilities

In April 2012, 北京富力城房地產開發有限公司 ("北京富力城"), a subsidiary of the Company entered into an aircraft rental agreement with an independent third party under financial lease (the "2012 Finance Lease Arrangement"). Under the 2012 Finance Lease Arrangement, 北京富力城 leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, 北京富力城 has an option to purchase the aircraft for a consideration of RMB94,830,000. Upon the maturity date, 北京富力城 did not exercise the option to purchase the aircraft.

In August 2016, 北京富力通達房地產開發有限公司 ("北京富力通達"), another subsidiary of the Company entered into an aircraft rental agreement with an independent third party under a financial lease (the "2016 Finance Lease Arrangement"). Under the 2016 Finance Lease Arrangement, 北京富力通達 leased an aircraft for an agreed term of four years commencing from 15 September 2016. The lessor will transfer the ownership of the underlying asset to 北京富力通達 at the maturity date of the lease or the early repayment date.

The movements of finance lease liabilities are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	323,532	60,519
Repayments	(57,033)	(25,111)
Interest charged (Note 19)	7,002	1,522
Interest paid or included in other payables	(6,968)	–
At 30 June	266,533	36,930

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

15. BORROWINGS (continued)

(f) Finance lease liabilities (continued)

	As at	
	30 June 2017	31 December 2016
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	99,729	114,391
Later than 1 year and no later than 5 years	186,822	236,161
	286,551	350,552
Future finance charges on finance leases	(20,018)	(27,020)
Present value of finance lease liabilities	266,533	323,532
The present value of finance lease liabilities is as follows:		
No later than 1 year	89,188	101,850
Later than 1 year and no later than 5 years	177,345	221,682
	266,533	323,532

- (g) As at 30 June 2017, bank and other borrowings totalling RMB62,239,614,000 (31 December 2016: RMB54,145,491,000) of the Group were secured by the following:

	As at	
	30 June 2017	31 December 2016
Land use rights	652,894	697,664
Property, plant and equipment	4,246,024	4,154,497
Investment properties	14,206,249	14,094,260
Properties under development	34,766,179	30,414,608
Completed properties held for sale	2,676,056	319,335
Restricted cash	9,712,577	9,708,419
Equity investments in subsidiaries	896,002	1,096,002
	67,155,981	60,484,785

- (h) The majority of unsecured bank and other borrowings were supported by guarantees issued by the Company or subsidiaries. Details are as follows:

	As at	
	30 June 2017	31 December 2016
Guarantors:		
– The Company	5,105,100	3,998,000
– Subsidiaries	940,000	1,303,550
	6,045,100	5,301,550

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

16. ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2017	31 December 2016
Amounts due to joint ventures (Notes (a) and 24(f))	3,810,766	2,347,150
Amounts due to an associate (Notes (a) and 24(f))	133,301	414,142
Construction payables (Note (b))	9,625,836	10,294,391
Other payables and accrued charges (Note (c))	11,629,272	8,895,782
	25,199,175	21,951,465

- (a) The amounts are unsecured, interest free and repayable on demand.
- (b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis for trade payables is presented.
- (c) The balance mainly represents interest payables, temporary receipts, accruals and other taxes payable excluding income tax.
- (d) The carrying amounts of accruals and other payables approximate their fair values.

17. OTHER INCOME

	Six months ended 30 June	
	2017	2016
Interest income	116,364	78,965
Other operating income	72,405	35,381
Dividends received on available-for-sale financial assets	10,233	13,204
	199,002	127,550

18. OTHER GAINS – NET

	Six months ended 30 June	
	2017	2016
Fair value gains on investment properties – net	479,260	717,114
Gains on disposals of intangible assets	51,783	93,699
Gains on disposals of property, plant and equipment	322	24,163
Losses on disposal of an associate	(13,459)	–
Others	14,781	16,415
	532,687	851,391

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

19. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
Interest expenses:		
– bank borrowings	1,251,002	1,163,429
– domestic bonds (Note 15 (b))	1,220,190	453,622
– medium-term notes (Note 15 (c))	9,438	–
– senior notes (Note 15 (d))	197,473	574,435
– other borrowings (Note 15 (e))	479,130	1,045,370
– finance lease liabilities (Note 15 (f))	7,002	1,522
	3,164,235	3,238,378
Net foreign exchange gains	(440,915)	(120,284)
Less: finance costs capitalised	(1,754,939)	(2,117,220)
	968,381	1,000,874

20. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
Current income tax		
– PRC enterprise income tax (Note (b))	1,483,624	732,635
Deferred income tax	(398,815)	169,707
	1,084,809	902,342
Current PRC land appreciation tax (Note (c))	1,305,404	705,272
Total income tax expenses	2,390,213	1,607,614

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the period (six months ended 30 June 2016: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the six months ended 30 June 2017, all of the companies in the Group were primarily taxed at 25% (six months ended 30 June 2016: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

21. DIVIDENDS

	Six months ended 30 June	
	2017	2016
Interim dividend of RMB0.33 (2016: RMB0.30) per ordinary share	1,063,381	966,710

An interim dividend in respect of the six months ended 30 June 2017 of RMB0.33 per ordinary share, totalling RMB1,063,381,000 was proposed by the board of directors (six months ended 30 June 2016: RMB966,710,000). This interim dividend has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2017.

22. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 30 June 2017 are analysed as follows:

	As at	
	30 June 2017	31 December 2016
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	33,972,483	33,406,812
Guarantees in respect of borrowings of joint ventures and associates (Notes (b))	4,986,313	5,514,356
	38,958,796	38,921,168

Notes:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the condensed consolidated interim financial information for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

23. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June 2017	31 December 2016
Contracted but not provided for		
– Properties development activities	7,286,476	6,502,044
– Acquisitions of land use rights	12,302,449	12,200,006
– Additional capital injection into an associate	–	280,000
	19,588,925	18,982,050

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2017	31 December 2016
Not later than one year	22,690	27,841
Later than one year and not later than five years	40,619	42,414
Later than five years	45,674	47,938
	108,983	118,193

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.70% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Key management compensation

	Six months ended 30 June	
	2017	2016
Salaries and welfare benefits	10,427	10,524

(b) Provision of property management services

	Six months ended 30 June	
	2017	2016
Joint ventures:		
天津津南新城房地產開發有限公司("津南新城")	3,660	4,663
貴州大西南房地產開發有限公司("貴州大西南")	2,721	–
	6,381	4,663

(c) Provision of decoration, design and construction service

	Six months ended 30 June	
	2017	2016
Joint ventures:		
廣州市富景房地產開發有限公司("廣州富景")	32,556	85,504
貴州大西南	18,255	23,537
上海城投悅城置業有限公司("上海悅城")	7,864	–
河南建業富居投資有限公司("河南建業")	3,855	–
津南新城	1,267	2,707
廣州市森華房地產有限公司("森華房地產")	476	8,449
廣西富雅投資有限公司("廣西富雅")	4	943
	64,277	121,140

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(d) Purchase of installation services

	Six months ended 30 June	
	2017	2016
Controlled by an immediate family member of the major shareholder:		
廣州鉅融機電工程有限公司	956	25,385
Common shareholders:		
廣州越富環保科技有限公司	—	5,485
	956	30,870

(e) Provision of guarantees for borrowings

The Group and certain other shareholders of the joint ventures and associates have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purpose. As at 30 June 2017, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(i) Bank borrowings

	As at	
	30 June 2017	31 December 2016
Joint ventures:		
津南新城	1,175,000	1,125,000
廣州富景	1,022,424	589,004
上海悅城	625,000	475,000
森華房地產	83,400	108,600
廣西富雅	56,400	120,000
廣州市騰順投資有限公司(“騰順投資”)	50,000	50,000
貴州大西南	—	48,000
	3,012,224	2,515,604
Associates:		
河南建業	404,550	405,000
廣州利合	—	119,920
	404,550	524,920
	3,416,774	3,040,524

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(e) Provision of guarantees for borrowings (continued)

(ii) Other borrowings

	As at	
	30 June 2017	31 December 2016
Associates:		
河南建業	630,900	634,500
廣州利合	–	896,000
	630,900	1,530,500

(f) Balances with related parties

As at 30 June 2017, the Group had the following significant balances with related parties:

	As at	
	30 June 2017	31 December 2016
Due from:		
Joint ventures		
– Non-trade balances		
騰順投資	399,503	401,128
貴州大西南	189,915	350,734
Hines Shanghai New Jiangwan Development Co., Ltd. (“Hines Shanghai”)	180,955	187,957
Accord Wing Limited (“Accord Wing”)	103,181	103,181
Etone Australia Holdings Pty Ltd.	90,635	–
南京星潤置業有限公司	73,513	–
廣西富雅	70,003	10,003
	1,107,705	1,053,003
Associates		
– Non-trade balances		
龍岩恒富房地產開發有限公司	100,200	–
廣州利合	–	42,281
	100,200	42,281
	1,207,905	1,095,284

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

24. SIGNIFICANT RELATED-PARTY TRANSACTIONS (continued)

(f) Balances with related parties (continued)

	As at	
	30 June 2017	31 December 2016
Due to:		
Joint ventures		
– Non-trade balances		
廣州富景	1,638,228	416,512
上海悅城	1,514,137	1,372,237
森華房地產	389,000	389,000
津南新城	191,825	91,825
北京盛興天和投資管理有限公司	77,576	77,576
	3,810,766	2,347,150
An associate		
– Non-trade balances		
河南建業	133,301	414,142
	3,944,067	2,761,292

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms.

25. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Borrowings

On 5 July 2017, the Company issued 10,000,000 units of medium-term notes at a par value of RMB1.0 billion in the PRC (the “2017 Medium-term Notes II”). The interest rate of the 2017 Medium-term Notes II is fixed at 5.50% per annum. The 2017 Medium-term Notes II will mature after three years from the issue date.

(b) Transaction in relation to the acquisition of 77 hotels with Dalian Wanda Commercial Properties Co., Ltd. (“Dalian Wanda”)

On 19 July 2017, the Company as the buyer, and Dalian Wanda as the seller entered into a sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire, and Dalian Wanda conditionally agreed to dispose of, the interest in 76 hotels across the PRC and a 70% interest in Wanda Vista Yantai in Yantai City, the PRC, at an aggregate consideration of approximately RMB19,906,390,000. Dalian Wanda will spin off the interests in 77 hotels from its existing subsidiaries and transfer them into new independent legal entities, the equity interests of which will be subsequently transferred to the Company. As of the date of this report, the transaction is still subject to reporting, announcement, circular and shareholders’ approval requirements under the Main Board Listing Rules of The Hong Kong Stock Exchange Limited.

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Guangzhou R&F Properties Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 168, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

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Independent Auditor's Report

Valuation of investment properties is identified as a key audit matter in our audit, and is summarized as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuations of investment properties</p> <p>Refer to note 2.8 "Summary of significant accounting policies — Investment properties" and note 9 "Investment properties" to the consolidated financial statements.</p> <p>Management estimated the fair value of the Group's investment properties to be RMB22,068,681,000 as at 31 December 2016, with a revaluation gain of RMB1,740,812,000 for the year. Independent external valuations were obtained for all of the investment properties in order to support management's estimates. Fair values of completed investment properties are derived using the term and reversionary method or the direct comparison method, where applicable.</p> <p>We focused on this area as the valuations included certain key assumptions that involved significant management estimates, including term and reversionary yields, market rents and market prices.</p>	<p>Our audit procedures in relation to management's valuations of investment properties included the following:</p> <ul style="list-style-type: none"> • Evaluated the independent external valuers' competence, capabilities and objectivity; • Checked the underlying data of area, tenancy term and occupancy against the supporting evidence and checked the mathematical accuracy of the valuations; • Assessed the methodologies and the key assumptions used, including term and reversionary yields, market rents and market prices with the assistance from our in-house valuation experts. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our independently developed benchmarks, which were set based on our recent experience in locations and segments similar to the investment properties valued and our market research results; • Checked the assumptions in respect of prevailing market rents and market prices to recent renewals and term and reversionary yields; • Performed sensitivity analysis over the key assumptions. <p>We found the key assumptions used in the valuation of investment properties, including term and reversionary yields, market rents and market prices, were supported by the available evidence.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 those charged with governance, 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 Ho Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2017

Consolidated balance sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	2016	2015
ASSETS			
Non-current assets			
Land use rights	7	1,933,706	1,264,041
Property, plant and equipment	8	10,928,178	9,009,864
Investment properties	9	22,068,681	19,251,951
Intangible assets	10	1,079,572	1,034,849
Interests in joint ventures	12	6,795,392	5,954,631
Interests in associates	13	166,908	71,052
Deferred income tax assets	27	4,253,861	3,295,186
Available-for-sale financial assets	14	710,130	645,140
Trade and other receivables and prepayments	18	97,420	4,046,552
		48,033,848	44,573,266
Current assets			
Properties under development	16	81,134,542	78,671,926
Completed properties held for sale	17	26,783,018	22,427,988
Inventories		325,932	414,888
Trade and other receivables and prepayments	18	21,582,812	13,576,168
Tax prepayments		2,582,245	2,784,288
Restricted cash	19	20,663,067	6,814,094
Time deposits		—	500,000
Cash and cash equivalents	20	25,306,015	13,970,313
		178,377,631	139,159,665
Total assets		226,411,479	183,732,931
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	805,592	805,592
Other reserves	22	4,679,469	4,590,948
Shares held for Share Award Scheme	23	—	(88,947)
Retained earnings		38,293,091	35,404,023
		43,778,152	40,711,616
Perpetual capital instruments	24	2,404,327	7,977,869
Non-controlling interests		653,718	527,895
Total equity		46,836,197	49,217,380

		As at 31 December	
	Note	2016	2015
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	87,170,166	49,759,398
Deferred income tax liabilities	27	4,930,892	3,935,947
		92,101,058	53,695,345
Current liabilities			
Accruals and other payables	25	21,951,465	18,727,912
Deposits received on sale of properties		19,546,810	18,407,668
Current income tax liabilities	28	12,294,031	11,005,384
Short-term borrowings	26	10,631,230	5,661,596
Current portion of long-term borrowings	26	23,050,688	27,017,646
		87,474,224	80,820,206
Total liabilities		179,575,282	134,515,551
Total equity and liabilities		226,411,479	183,732,931

The notes on pages 75 to 168 are an integral part of these consolidated financial statements.

The financial statements on pages 68 to 168 were approved by the Board of Directors on 10 March 2017 and were signed on its behalf.

Li Sze Lim
Director

Zhang Li
Director

Consolidated income statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
Revenue	5	53,730,339	44,290,924
Cost of sales	31	(38,543,599)	(30,083,853)
Gross profit		15,186,740	14,207,071
Other income	29	328,987	281,088
Other gains — net	30	1,928,219	1,237,004
Selling and marketing costs	31	(1,315,362)	(896,657)
Administrative expenses	31	(2,672,863)	(2,409,572)
Operating profit		13,455,721	12,418,934
Finance costs	33	(2,367,045)	(2,153,995)
Share of results of joint ventures		844,493	1,343,455
Share of results of associates		(64,329)	(18,893)
Profit before income tax		11,868,840	11,589,501
Income tax expenses	34	(4,812,823)	(4,877,229)
Profit for the year		7,056,017	6,712,272
Profit attributable to:			
— Owners of the Company		6,755,908	5,615,795
— Holders of perpetual capital instruments		273,943	1,105,249
— Non-controlling interests		26,166	(8,772)
		7,056,017	6,712,272
Basic and diluted earnings per share for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)	35	2.0997	1.7524

The notes on pages 75 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December	
		2016	2015
Profit for the year		7,056,017	6,712,272
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
— Fair value gains on available-for-sale financial assets, net of tax	22	48,743	17,498
— Currency translation differences	22	(4,792)	24,173
Other comprehensive income for the year, net of tax		43,951	41,671
Total comprehensive income for the year		7,099,968	6,753,943
Total comprehensive income attributable to:			
— Owners of the Company		6,799,859	5,657,262
— Holders of perpetual capital instruments	24	273,943	1,105,249
— Non-controlling interests		26,166	(8,568)
		7,099,968	6,753,943

The notes on pages 75 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual capital instruments	Non-Controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Comprehensive income								
Profit for the year	—	—	—	5,615,795	5,615,795	1,105,249	(8,772)	6,712,272
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	17,498	—	17,498	—	—	17,498
Currency translation differences	—	—	23,969	—	23,969	—	204	24,173
Total other comprehensive income, net of tax	—	—	41,467	—	41,467	—	204	41,671
Total comprehensive income for the year	—	—	41,467	5,615,795	5,657,262	1,105,249	(8,568)	6,753,943
Transactions with owners								
Changes in ownership interests in subsidiaries without change of control	—	—	(2,203)	—	(2,203)	—	2,203	—
Acquisition of subsidiaries	—	—	—	—	—	—	2,475	2,475
Dividends for the year	—	—	—	(961,430)	(961,430)	—	—	(961,430)
Disposals of shares held for Share Award Scheme	—	39,764	12,862	—	52,626	—	—	52,626
Redemptions of perpetual capital instruments	—	—	—	—	—	(7,643,912)	—	(7,643,912)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(1,131,884)	—	(1,131,884)
Total transactions with owners	—	39,764	10,659	(961,430)	(911,007)	(8,775,796)	4,678	(9,682,125)
Balance at 31 December 2015	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380

	Attributable to owners of the Company							Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total	Perpetual capital instruments	Non-Controlling interests	
Balance at 1 January 2016	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380
Comprehensive income								
Profit for the year	—	—	—	6,755,908	6,755,908	273,943	26,166	7,056,017
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	48,743	—	48,743	—	—	48,743
Currency translation differences	—	—	(4,792)	—	(4,792)	—	—	(4,792)
Total other comprehensive income, net of tax	—	—	43,951	—	43,951	—	—	43,951
Total comprehensive income for the year	—	—	43,951	6,755,908	6,799,859	273,943	26,166	7,099,968
Transactions with owners								
Acquisition of subsidiaries	—	—	—	—	—	—	89,657	89,657
Capital contributions from non-controlling interests	—	—	—	—	—	—	10,000	10,000
Dividends for the year	—	—	—	(3,866,840)	(3,866,840)	—	—	(3,866,840)
Disposals of shares held for Share Award Scheme	—	88,947	44,570	—	133,517	—	—	133,517
Issuance of perpetual capital instruments	—	—	—	—	—	2,400,000	—	2,400,000
Redemptions of perpetual capital instruments	—	—	—	—	—	(7,900,000)	—	(7,900,000)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(347,485)	—	(347,485)
Total transactions with owners	—	88,947	44,570	(3,866,840)	(3,733,323)	(5,847,485)	99,657	(9,481,151)
Balance at 31 December 2016	805,592	—	4,679,469	38,293,091	43,778,152	2,404,327	653,718	46,836,197

The notes on pages 75 to 168 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	37	5,705,252	9,572,573
Interest paid		(5,217,113)	(5,930,702)
Enterprise income tax and land appreciation tax paid		(3,826,064)	(3,997,766)
Net cash used in operating activities		(3,337,925)	(355,895)
Cash flows from investing activities			
Purchases of property, plant and equipment and land use rights		(1,246,366)	(1,302,766)
Purchases of intangible assets		(170,930)	(158,568)
Additions of investment properties		—	(136,323)
Proceeds from disposals of property, plant and equipment		59,605	15,568
Proceeds from disposals of investment properties		—	43,392
Proceeds from disposals of intangible assets		128,000	120,210
Investments in available-for-sale financial assets and an associate		(177,755)	(101,032)
Acquisition of subsidiaries, net of cash acquired		(527,925)	(106,009)
Prepayment made for acquisition of subsidiaries		(97,420)	(434,000)
Cash repayments from joint ventures and associates		5,113,343	585,660
Cash advances to joint ventures and associates		(1,320,428)	(892,026)
Dividends received on available-for-sale financial assets		17,631	4,332
Dividends received from an associate		3,375	6,015
Decrease/(increase) in time deposits		500,000	(500,000)
Decrease/(Increase) in guarantee deposits for borrowings of a related party		50,000	(50,000)
Interest received		194,894	143,043
Net cash generated from/(used in) investing activities		2,526,024	(2,762,504)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		72,842,491	46,050,426
Repayments of borrowings		(38,995,331)	(32,031,877)
Repayments of finance lease liabilities		(221,597)	(50,222)
Increase in guarantee deposits for borrowings		(11,975,074)	(757,366)
Net proceeds from issuance of perpetual capital instruments		2,400,000	—
Redemption of perpetual capital instruments		(7,900,000)	(7,643,912)
Distributions paid to holders of perpetual capital instruments		(347,485)	(1,131,884)
Proceeds from disposals of shares for Share Award Scheme		133,517	52,626
Capital contributions from non-controlling interests		10,000	—
Dividends paid to owners of the Company		(3,866,840)	(961,430)
Net cash generated from financing activities		12,079,681	3,526,361
Net increase in cash and cash equivalents		11,267,780	407,962
Exchange gains on cash and cash equivalents		67,922	71,926
Cash and cash equivalents at beginning of year		13,970,313	13,490,425
Cash and cash equivalents at end of year	20	25,306,015	13,970,313

The notes on pages 75 to 168 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45–54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These financial statements are presented in RMB Yuan (RMB), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) Changes in accounting policy

Amendments to HKAS 27 “equity method in separate financial statements” (the “Amendments”) are effective for the financial year beginning on 1 January 2016. The Company has adopted the Amendments retrospectively which resulted in the Company changing its accounting policy for its investments in joint ventures and associates from at cost to using the equity method as described in HKAS 28.

The table below summarizes the effect from the changes in accounting policy on the balance sheets of the Company as at 31 December 2015 and 1 January 2015.

	As at 31 December 2015 (Previously presented)	Amount of adjustment	As at 31 December 2015 (Restated)	As at 1 January 2015 (Previously presented)	Amount of adjustment	As at 1 January 2015 (Restated)
Interests in joint ventures	1,130,899	1,685,088	2,815,987	1,133,400	552,288	1,685,688
Interests in associates	138,466	(130,852)	7,614	138,466	(103,313)	35,153
Trade and other receivables and prepayments (current portion)	14,147,205	(11,710)	14,135,495	7,873,093	(2,347)	7,870,746
Retained earnings	3,677,092	1,542,526	5,219,618	3,688,938	446,628	4,135,566

(b) New and amended standards adopted by the Group

The following new and amended standards and annual improvements have been adopted by the Group for the first time for the financial year beginning on 1 January 2016.

Standards	Subject
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012–2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards adopted by the Group (Continued)*

The impact of the adoption of the amendments to HKAS 27 to the Company has been disclosed in Note 2.1.1(a); the adoption of the remaining new and amended standards has no material impact on the Group's financial statements.

(c) *New and amended standards not yet adopted*

A number of new and amended standards are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the Group's consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i), (ii) and (iii).

Standards	Subject	Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service — the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) *New and amended standards not yet adopted (Continued)*

(i) HKFRS 15, 'Revenue from contracts with customers' (Continued)

- rights of return — HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(ii) HKFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments currently classified as available-for-sale (AFS) financial assets for which a FVOCI election is available. The Group does not have any other financial assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(c) *New and amended standards not yet adopted (Continued)*

(ii) HKFRS 9, 'Financial instruments' (Continued)

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB118,193,000, see note 39. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the statement of profit or loss within "other gains — net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.





Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20–30 years
— Furniture, fixtures and equipment	3–5 years
— Transportation equipment	4–15 years
— Machinery	5–10 years

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains — net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and finance costs arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains — net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Construction licence*

Construction licence acquired in a business combination is recognised at fair value at the acquisition date. The directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) *Customer contracts*

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

(e) *Football players*

The Group operates a football club. The costs associated with the acquisition of players' registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract or best estimated based on the player's physical conditions. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life — for example, goodwill or construction license — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of "other income" when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary interest declared by the Group to the holders of perpetual capital instrument is treated as dividend.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.15 Land use rights

All lands in the PRC are state-owned and no individual ownership right exists. The Group acquire the rights to use certain lands and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at the lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of lands and land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Completed properties held for sale

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

2.20 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties, provision of construction, hotel and property management services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.





Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company's Employee Share Trust purchases H shares from the market, the consideration paid, including any directly attributable incremental costs is presented as Shares held for Share Award Scheme and presented as a deduction against equity attributable to the Company's equity holders.

2.23 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on similar borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.





Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.29 Revenue recognition

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

(a) *Sale of properties*

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

(b) *Construction services*

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

(c) *Rental income*

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

(d) *Hotel operations*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition (Continued)

(e) *Property management*

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

(f) *Interest income*

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

(g) *Dividend income*

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

2.30 Leases

(a) *The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.





Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group principally operates in the PRC and Malaysia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD") and US dollars ("USD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2016 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	6,151	(6,151)
Trade and other receivables	5,278	(5,278)
Accruals and other payables	(27,351)	27,351
Denominated in USD		
Cash and cash equivalents	469,429	(469,429)
Restricted cash	29,526	(29,526)
Borrowings	(857,149)	857,149

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

	MYR against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in USD		
Accruals and other payables	(154,549)	154,549
Denominated in RMB		
Accruals and other payables	(44,029)	44,029
Denominated in HKD		
Accruals and other payables	(16,830)	16,830

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2015 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	2,307	(2,307)
Accruals and other payables	(11,573)	11,573
Denominated in USD		
Cash and cash equivalents	317	(317)
Restricted cash	30,691	(30,691)
Borrowings	(498,685)	498,685
	MYR against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in USD		
Accruals and other payables	(140,256)	140,256
Denominated in RMB		
Accruals and other payables	(1,515)	1,515
Denominated in HKD		
Accruals and other payables	(10,915)	10,915

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets, which are not publicly traded. Other components of equity would increase/decrease as a results of gains/losses on equity securities classified as available-for-sale. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at variable rate were denominated in RMB, USD and AUD.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2016 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(62,748)	62,748

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(60,812)	60,812

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2016, no customer accounted for more than 5% of the Group's trade receivables (2015: Nil).

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investments in land banks, adjusting project development timetable to adapt to changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2016					
Borrowings (excluding finance lease liabilities (Note (1)))	39,530,372	21,535,523	49,794,689	27,174,137	138,034,721
Finance lease liabilities	114,391	97,623	138,538	—	350,552
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	18,231,502	—	—	—	18,231,502
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	33,406,812	—	—	—	33,406,812
Guarantees in respect of borrowings of joint ventures and associates	870,485	1,464,407	2,316,888	862,576	5,514,356
At 31 December 2015					
Borrowings (excluding finance lease liabilities (Note (1)))	38,298,777	21,970,877	26,263,794	9,844,855	96,378,303
Finance lease liabilities	50,222	12,557	—	—	62,779
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	16,102,823	—	—	—	16,102,823
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	23,530,047	—	—	—	23,530,047
Guarantees in respect of borrowings of joint ventures and an associate	1,888,459	1,200,230	364,356	—	3,453,045

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 31 December 2016 and 2015 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents, restricted cash and time deposits.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Total borrowings	120,852,084	82,438,640
Less: cash and cash equivalents	(25,306,015)	(13,970,313)
restricted cash	(20,663,067)	(6,814,094)
time deposits	—	(500,000)
Net debt	74,883,002	61,154,233
Total equity	46,836,197	49,217,380
Gearing ratio	159.9%	124.3%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

See Note 9 for disclosures of the investment properties that are measured at fair value.

	Available-for-sale financial assets	
	2016	2015
Level 3	710,130	645,140

(a) Financial instruments in level 3

The fair value of the Group's major available-for-sale financial assets was revalued on 31 December 2016 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

A sensitivity analysis of the Group's major available-for-sale financial assets is disclosed in Note 4.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 10.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the gross margin or growth rate had been lower than management estimates by 10% or discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of goodwill as at 31 December 2016.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of the construction license

Useful life of the construction license is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 10.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the royalty rate or growth rate had been lower than management estimates by 10% or the discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of the construction license as at 31 December 2016.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in the income tax expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognised these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 9.





Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions used in the valuation could affect reported fair value of available-for-sale financial assets.

If the market price had been lower than management estimates by 5% with other variables held constant, the carrying amount of available-for-sale financial assets would have been lowered by RMB28,810,000.

(g) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of carrying amounts of land use rights for property development, properties under development and completed properties held for sale is assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2016, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2015: Nil).

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year.

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2016 and the segment assets and liabilities at 31 December 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	49,489,281	1,020,131	1,416,271	2,376,026	54,301,709
Inter-segment revenue	—	(102,217)	(54,298)	(414,855)	(571,370)
Revenue from external customers	49,489,281	917,914	1,361,973	1,961,171	53,730,339
Profit/(loss) for the year	6,058,429	1,729,715	(182,557)	(549,570)	7,056,017
Finance costs	(1,952,448)	(125,829)	(173,120)	(115,648)	(2,367,045)
Share of results of joint ventures	844,493	—	—	—	844,493
Share of results of associates	(62,613)	—	—	(1,716)	(64,329)
Income tax (expenses)/credits	(4,477,905)	(573,760)	60,852	177,990	(4,812,823)
Depreciation and amortisation	(216,897)	—	(318,204)	(86,857)	(621,958)
Allowance for impairment losses of receivables	(21,898)	—	(757)	(1,265)	(23,920)
Fair value gains on investment properties — net of tax	—	1,306,567	—	—	1,306,567
Segment assets	187,983,198	22,068,681	10,270,067	1,125,542	221,447,488
Segment assets include:					
Interests in joint ventures	6,795,392	—	—	—	6,795,392
Interests in associates	85,628	—	—	81,280	166,908
Addition to non-current assets (other than financial instruments and deferred tax assets)	1,380,249	1,075,918	381,496	177,918	3,015,581
Segment liabilities	40,272,496	—	347,936	877,843	41,498,275

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	40,744,245	925,827	1,226,483	1,852,650	44,749,205
Inter-segment revenue	—	(68,572)	(45,333)	(344,376)	(458,281)
Revenue from external customers	40,744,245	857,255	1,181,150	1,508,274	44,290,924
Profit/(loss) for the year	6,178,335	1,210,431	(167,446)	(509,048)	6,712,272
Finance costs	(1,639,068)	(128,414)	(221,168)	(165,345)	(2,153,995)
Share of results of joint ventures	1,343,455	—	—	—	1,343,455
Share of results of associates	(30,828)	—	—	11,935	(18,893)
Income tax (expenses)/credits	(4,709,625)	(401,518)	55,815	178,099	(4,877,229)
Depreciation and amortisation	(185,145)	—	(207,937)	(60,427)	(453,509)
(Allowance for)/reversal of allowance for impairment losses of receivables	(29,034)	—	66	(24)	(28,992)
Fair value gains on investment properties — net of tax	—	830,709	—	—	830,709
Segment assets	152,617,182	19,251,951	6,854,021	1,069,451	179,792,605
Segment assets include:					
Interests in joint ventures	5,954,631	—	—	—	5,954,631
Interests in associates	8,056	—	—	62,996	71,052
Addition to non-current assets (other than financial instruments and deferred tax assets)	603,789	154,587	916,262	145,011	1,819,649
Segment liabilities	36,287,953	—	256,897	590,730	37,135,580

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

5. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	2016	2015
Segment assets for reportable segments	221,447,488	179,792,605
Deferred income tax assets	4,253,861	3,295,186
Available-for-sale financial assets	710,130	645,140
Total assets per balance sheet	226,411,479	183,732,931

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred and current income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2016	2015
Segment liabilities for reportable segments	41,498,275	37,135,580
Deferred income tax liabilities	4,930,892	3,935,947
Current income tax liabilities	12,294,031	11,005,384
Current borrowings	33,681,918	32,679,242
Non-current borrowings	87,170,166	49,759,398
Total liabilities per balance sheet	179,575,282	134,515,551

Entity-wide information

Revenue from external customers by country, based on the destination of the customer:

	2016	2015
PRC	53,715,049	44,289,281
Other countries	15,290	1,643
Total	53,730,339	44,290,924

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues for the year ended 31 December 2016 (2015: Nil).

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2016	2015
PRC	43,061,080	37,013,494
Other countries	8,777	6,894
Total	43,069,857	37,020,388

Non-current assets in the individual countries included in “other countries” are not material.

6. ACQUISITION OF HUIZHOU GOLDEN SWAN HOT SPRING CO., LTD.

On 5 February 2016, the Group completed an acquisition of 100% equity interests in Huizhou Golden Swan Hot Spring Co. Ltd. (“Golden Swan”) from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000. The acquisition is expected to enable the Group to take advantage of the evolving market trend in Huizhou and increase the diversity of the Group’s hotel portfolio.

The following table summarises the consideration paid for Golden Swan, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	5 February 2016
Purchase consideration	
— Cash paid	530,000

6. ACQUISITION OF HUIZHOU GOLDEN SWAN HOT SPRING CO., LTD. (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash	8,552
Properties under development	791,344
Inventories	2,330
Tax prepayments	1,116
Property, plant and equipment	869,932
Land use rights	40,211
Interests in an associate	78,793
Trade and other receivables and prepayments	27,860
Accruals and other payables	(343,859)
Short-term borrowings	(549,400)
Long-term borrowings	(290,000)
Net deferred tax liabilities	(106,879)
Total identifiable net assets	530,000
Cash outflow on acquisition, net of cash acquired	
Total cash consideration	530,000
Less: cash consideration paid in prior years	(434,000)
Less: withholding tax to be paid as at 31 December 2016	(96,000)
Cash consideration paid in 2016	—
Less: Cash in the subsidiary acquired	(8,552)
Cash inflow on acquisition for the year ended 31 December 2016	8,552

(a) *Acquired receivables*

The fair value of trade and other receivables was RMB27,722,000 and included trade receivables with a fair value of RMB5,958,000. The gross contractual amount for trade receivables due was RMB5,958,000, all of which was expected to be collectible.

(b) *Revenue and profit contribution*

The acquired business contributed revenue of RMB33,132,000 and a net loss of RMB59,142,000 to the Group for the period from 5 February 2016 to 31 December 2016. Had Golden Swan been consolidated from 1 January 2016, the consolidated income statement would show pro-forma revenue of RMB53,734,182,000 and profit of RMB7,049,564,000.

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7. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016	2015
At 1 January	1,264,041	1,198,045
Additions	418,529	—
Acquisitions of a subsidiary (Note 6)	40,211	—
Transfer from properties under development	270,896	101,572
Amortisation of prepaid operating lease payments	(59,971)	(35,576)
At 31 December	1,933,706	1,264,041

Land use rights are amortised in the following categories:

	2016	2015
Selling and administrative expenses	6,471	3,835
Cost of sales	28,503	19,150
Capitalised in property, plant and equipment	24,997	12,591
	59,971	35,576

Borrowings are secured on land use rights for the carrying amount of RMB697,664,000 (2015: RMB804,637,000).

8. PROPERTY, PLANT AND EQUIPMENT

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment Asset acquired under finance lease	Others	Machinery	Assets under construction	Total
At 1 January 2015								
Cost	1,549,840	3,892,700	570,291	395,325	342,161	400,877	2,090,998	9,242,192
Accumulated depreciation	(233,925)	(582,763)	(383,115)	(67,048)	(228,854)	(250,846)	—	(1,746,551)
Net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Year ended 31 December 2015								
Opening net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Additions	98,488	1,022	183,349	—	30,234	37,801	1,155,600	1,506,494
Transfers from properties under development	393,617	—	—	—	—	—	—	393,617
Transfer to properties under development	—	—	—	—	—	—	(7,296)	(7,296)
Assets under construction transferred to buildings	14,652	1,658,141	—	—	—	—	(1,672,793)	—
Disposals	(5,200)	—	(960)	—	(313)	(1,969)	—	(8,442)
Depreciation	(47,976)	(135,360)	(81,363)	(25,143)	(43,375)	(36,056)	—	(369,273)
Currency translation differences	—	—	(393)	—	(484)	—	—	(877)
Closing net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864
At 31 December 2015								
Cost	2,049,429	5,551,862	750,028	395,325	368,122	422,131	1,566,509	11,103,406
Accumulated depreciation	(279,933)	(718,122)	(462,219)	(92,191)	(268,753)	(272,324)	—	(2,093,542)
Net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864
Year ended 31 December 2016								
Opening net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864
Additions	11,173	—	86,112	455,291	27,185	16,844	753,599	1,350,204
Acquisitions of subsidiaries	70,491	779,977	20,682	—	66	19	—	871,235
Transfers from properties under development	77,027	—	—	—	—	—	153,489	230,516
Assets under construction transferred to buildings	—	503,680	—	—	—	—	(503,680)	—
Disposals	(34,873)	—	(181)	—	(48)	(328)	—	(35,430)
Depreciation	(69,683)	(218,177)	(104,621)	(34,958)	(40,985)	(30,066)	—	(498,490)
Currency translation differences	—	—	94	—	175	—	10	279
Closing net book amount	1,823,631	5,899,220	289,895	723,467	85,762	136,276	1,969,927	10,928,178
At 31 December 2016								
Cost	2,177,036	6,972,173	905,665	850,616	389,638	432,388	1,969,927	13,697,443
Accumulated depreciation	(353,405)	(1,072,953)	(615,770)	(127,149)	(303,876)	(296,112)	—	(2,769,265)
Net book amount	1,823,631	5,899,220	289,895	723,467	85,762	136,276	1,969,927	10,928,178

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense has been charged in the following categories:

	2016	2015
Selling and administrative expenses	193,407	129,056
Cost of sales	305,083	240,217
	498,490	369,273

Assets under construction mainly represent construction and other costs incurred for hotel buildings. For the year ended 31 December 2016, borrowing costs capitalised in assets under construction amounted to RMB62,169,000 (2015: RMB54,926,000). Borrowing costs were capitalised at the weighted average rate of 6.46% for the year ended 31 December 2016 (2015: 8.09%)

Borrowings are secured by office buildings, hotel buildings and assets under construction with a carrying amount of RMB4,154,497,000 (2015: RMB4,329,669,000).

As at 31 December 2016, the Group leases two aircrafts under non-cancellable finance lease agreements. See Note 26(e) for details of the agreements.

9. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
Year ended 31 December 2015			
Opening balance at 1 January	15,687,143	2,360,489	18,047,632
Additions	—	154,587	154,587
Disposals	(55,920)	—	(55,920)
Transfers	2,515,076	(2,515,076)	—
Fair value gains	1,105,652	—	1,105,652
Closing balance at 31 December	19,251,951	—	19,251,951
Total gains for the year included in profit or loss, under "other gains — net"	1,093,124	—	1,093,124
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	1,105,652	—	1,105,652
Year ended 31 December 2016			
Opening balance at 1 January	19,251,951	—	19,251,951
Additions	1,075,918	—	1,075,918
Fair value gains	1,740,812	—	1,740,812
Closing balance at 31 December	22,068,681	—	22,068,681
Total gains for the year included in profit or loss, under "other gains — net"	1,740,812	—	1,740,812
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	1,740,812	—	1,740,812

(a) Amount recognised in the consolidated income statement for investment properties:

	2016	2015
Rental income	917,914	857,255
Direct operating expenses arising from investment properties that generate rental income	(154,615)	(95,000)
Direct operating expenses that did not generate rental income	(94,347)	(70,275)



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(All amounts in RMB Yuan thousands unless otherwise stated)

9. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2016 and 2015. The revaluation gains or losses are included in "other gains — net" in the income statement.

As at 31 December 2016 and 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent and professionally qualified valuers not related to the Group who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on the term and reversionary method, which largely used unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease.

For car parks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

9. INVESTMENT PROPERTIES (Continued)

(e) Information about fair value measurements using significant unobservable inputs (level 3)

Description		Fair value at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	7,713,830	Term and reversionary method	Term yields	6.00%–6.50%	The higher the term yields, the lower the fair value
				Reversionary yields	6.00%–6.50%	The higher the reversion yields, the lower the fair value
				Market price (RMB/square metre)	40,600–60,900	The higher the market price, the higher the fair value
	Retail	13,706,507	Term and reversionary method	Term yields	5.75%–7.00%	The higher the term yields, the lower the fair value
				Reversionary yields	5.75%–7.00%	The higher the reversion yields, the lower the fair value
				Market price (RMB/square metre)	6,000–117,027	The higher the market price, the higher the fair value
	Carpark	648,344	Direct comparison method	Market price (RMB/square metre)	3,694–11,694	The higher the market price, the higher the fair value

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(All amounts in RMB Yuan thousands unless otherwise stated)

9. INVESTMENT PROPERTIES (Continued)

(e) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	5,831,086	Term and reversionary method	Term yields	7.00%-7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.00%-7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	326-389	The higher the market rents, the higher the fair value
	Retail	12,799,546	Term and reversionary method	Market price (RMB/square metre)	39,400-59,000	The higher the market price, the higher the fair value
				Term yields	5.75%-7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	5.75%-7.25%	The higher the reversion yields, the lower the fair value
	Carpark	621,319	Direct comparison method	Market rents (RMB/square metre/month)	60-319	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	4,226-10,012	The higher the market price, the higher the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. If the remaining lease term increases, the yield may decrease.

(f) Investment properties pledged as security

Borrowings are secured on investment properties for the value of RMB14,094,260,000 (2015: RMB11,686,175,000).

10. INTANGIBLE ASSETS

	Goodwill	Construction licence	Customer contracts	Software and others	Total
At 1 January 2015					
Cost	506,733	282,000	322,000	325,961	1,436,694
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(133,753)	(458,736)
Net book amount	503,750	282,000	—	192,208	977,958
Year ended 31 December 2015					
Opening net book amount	503,750	282,000	—	192,208	977,958
Additions	—	—	—	158,568	158,568
Amortisation charge	—	—	—	(61,251)	(61,251)
Disposals	—	—	—	(40,426)	(40,426)
Closing net book amount	503,750	282,000	—	249,099	1,034,849
At 31 December 2015					
Cost	506,733	282,000	322,000	414,366	1,525,099
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(165,267)	(490,250)
Net book amount	503,750	282,000	—	249,099	1,034,849
Year ended 31 December 2016					
Opening net book amount	503,750	282,000	—	249,099	1,034,849
Additions	—	—	—	170,930	170,930
Acquisitions of a subsidiary	—	—	—	180	180
Amortisation charge	—	—	—	(88,494)	(88,494)
Disposals	—	—	—	(37,893)	(37,893)
Closing net book amount	503,750	282,000	—	293,822	1,079,572
At 31 December 2016					
Cost	506,733	282,000	322,000	538,184	1,648,917
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(244,362)	(569,345)
Net book amount	503,750	282,000	—	293,822	1,079,572

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

10. INTANGIBLE ASSETS (Continued)

Intangible assets are amortised in the following categories:

	2016	2015
Selling and administrative expenses	13,944	9,339
Cost of sales	74,550	51,912
	88,494	61,251

(a) Goodwill

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash-generating units (CGUs) identified as the construction services unit within the property development segment. The recoverable amount of the CGU as at 31 December 2016 was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations in 2016 and 2015 are as follows.

	2016	2015
Gross margin	12%	12%
Growth rate for the five-year period	3%–5%	3%–5%
Terminal growth rate	3%	3%
Pre-tax discount rate	11.87%	12.82%

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

10. INTANGIBLE ASSETS (Continued)

(b) Construction licence

Impairment test for construction licence

The recoverable amount of construction licence based on value-in-use calculations as at 31 December 2016 was determined by estimating the value of royalty (that is, licence fee) from which the Group is exempted by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the Company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations in 2016 and 2015 are as follows.

	2016	2015
Royalty rate	1%	1%
Growth rate for the five-year period	3%–5%	3%–5%
Terminal growth rate	3%	3%
Pre-tax discount rate	12.75%	13.71%

Management determined royalty rate and weighted average growth rates based on past performance and industry factor. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

11. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2016:

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC:							
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of office buildings in the PRC
廣州富力恒盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	—	Property development in the PRC
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB360,000,000	86.11%	13.89%	—	Property development in the PRC

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	—	Property development in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	—	Residential architecture design in the PRC
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB300,000,000	90%	10%	—	Construction company in the PRC
廣東恒力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	—	100%	—	Construction company in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	—	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	—	Property management in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	—	Provision of interior design service in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	—	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB196,000,000	97.45%	2.55%	—	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB250,000,000	95%	5%	—	Property development in the PRC
北京富力城房地產開發有限公司 （“北京富力城”）	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	—	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	—	Property development in the PRC
北京龍熙順景房地產開發有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	—	100%	—	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	—	100%	—	Property development in the PRC
富力(香河)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
北京恆富物業服務有限公司	11 December 2002	Limited liability company	RMB5,000,000	—	100%	—	Property management in the PRC
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB500,000,000	—	100%	—	Property development in the PRC
北京富力歐美國林綠化工程有限公司	6 March 2003	Limited liability company	RMB10,000,000	—	100%	—	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB4,000,000	—	100%	—	Manufacturing of aluminium frame and sales of construction and decoration materials in the PRC

11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
北京極富房地產開發有限公司	31 August 2007	Limited liability company	RMB30,000,000	100%	—	—	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	—	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB535,475,234	—	100%	—	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	—	100%	—	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	—	100%	—	Property development in the PRC
重慶富力房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	—	Property development in the PRC
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB854,500,000	94.82%	5.18%	—	Property development in the PRC
成都富力地產開發有限公司	27 March 2007	Limited liability company	RMB600,000,000	98.33%	1.67%	—	Property development in the PRC
成都熊貓萬國商旅有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	—	15%	Property development in the PRC
昆山新廷房地產開發有限公司	16 November 2000	Limited liability company	RMB128,000,000	—	100%	—	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB380,000,000	95%	5%	—	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB188,900,000	—	100%	—	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Sino-foreign joint venture with limited liability	HKD15,000,000	85%	15%	—	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB600,000,000	100%	—	—	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB560,000,000	95%	5%	—	Property development in the PRC
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB300,000,000	99.8%	0.2%	—	Property development in the PRC
海南協興地產發展(香港)有限公司	26 January 1994	Sino-foreign joint venture with limited liability	HKD15,000,000	85%	15%	—	Property development in the PRC
廣州天富房地產開發有限公司	8 July 2002	Sino-foreign cooperation with limited liability	USD21,000,000	85%	—	15%	Property development in the PRC
廣州富力超盛置業發展有限公司	8 December 2005	Limited liability company	RMB600,000,000	100%	—	—	Property development in the PRC
北京華恩房地產開發有限公司	5 September 2000	Limited liability company	RMB30,000,000	52%	48%	—	Property development in the PRC
西安濱湖花園房地產開發有限公司	8 August 2005	Limited liability company	RMB55,000,000	—	100%	—	Property development in the PRC

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11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
重慶富力嘉盛房地產開發有限公司	28 January 2014	Wholly foreign-owned enterprise with limited liability	RMB794,540,000	—	100%	—	Property development in the PRC
廣州聖景房地產開發有限公司	27 August 2007	Sino-foreign joint venture with limited liability	USD80,000,000	25%	75%	—	Property development in the PRC
成都富力熊貓城項目開發有限公司	15 August 2006	Sino-foreign joint venture with limited liability	RMB30,000,000	65%	—	35%	Property development in the PRC
西安富力灣房地產開發有限公司	14 September 2010	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	—	100%	—	Construction company in the PRC
北京富源盛達房地產開發有限公司	20 January 2011	Limited liability company	RMB30,000,000	—	100%	—	Property development in the PRC
富力(哈爾濱)房地產開發有限公司	12 April 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
廣州富力足球俱樂部有限公司	7 July 2011	Limited liability company	RMB20,000,000	100%	—	—	Operation of a football club in the PRC
大同富力城房地產開發有限公司	17 November 2011	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
惠州富茂房地產開發有限公司	14 May 2010	Limited liability company	RMB500,000,000	50%	50%	—	Property development in the PRC
天津百台灣建設有限公司	30 January 2012	Limited liability company	RMB160,000,000	—	100%	—	Property development in the PRC
上海極富房地產開發有限公司	31 January 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
無錫天潤福源房地產開發有限公司	2 March 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
梅州富力房地產開發有限公司	1 July 2013	Limited liability company	RMB550,000,000	99.09%	0.91%	—	Property development in the PRC
杭州富力房地產開發有限公司	19 December 2012	Limited liability company	USD120,000,000	—	100%	—	Property development in the PRC
無錫極富房地產開發有限公司	16 December 2013	Limited liability company	USD300,000,000	—	100%	—	Property development in the PRC
福州市台江富力置業有限公司	11 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
包頭市富力房地產開發有限公司	18 October 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
天津富潤房地產開發有限公司	23 October 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
南京富力城房地產開發有限公司	27 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
文昌富力房地產開發有限公司	25 August 2011	Limited liability company	RMB370,000,000	95%	5%	—	Property development in the PRC

11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
杭州極富房地產開發有限公司	27 February 2013	Wholly foreign owned enterprise with limited liability	USD75,000,000	—	100%	—	Property development in the PRC
哈爾濱富力城房地產開發有限公司	15 May 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
杭州品富房地產開發有限公司	4 September 2013	Wholly foreign-owned enterprise with limited liability	USD70,000,000	—	100%	—	Property development in the PRC
佛山富力房地產開發有限公司	13 November 2013	Limited liability company	RMB100,000,000	100%	—	—	Property development in the PRC
杭州聯富房地產開發有限公司	19 December 2013	Single-member limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
山西永紅盛置業有限公司	14 September 2012	Limited liability company	RMB10,000,000	—	90%	10%	Property development in the PRC
廣州耀盈房地產開發有限公司	6 February 2015	Limited liability company	RMB450,000,000	100%	—	—	Property development in the PRC
北京富力通達房地產開發有限公司 （“北京富力通達”）	20 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
富力(瀋陽)房地產開發有限公司	15 January 2014	Sino-foreign joint venture with limited liability	USD90,000,000	—	100%	—	Property development in the PRC
上海眾弘置業發展有限公司	24 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
湖州富力房地產開發有限公司	23 January 2015	Single-member limited liability company	RMB250,000,000	—	100%	—	Property development in the PRC
海口富力會旅遊發展有限公司	16 May 2012	Limited liability company	RMB1,000,000	—	100%	—	Tourism project development in the PRC
惠州市金鵝溫泉實業有限公司	2 March 2004	Limited liability company	RMB50,000,000	100%	—	—	Property development and operating a hotel in the PRC
Subsidiaries — incorporated in Hong Kong:							
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	—	—	Investment holding in Hong Kong

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(All amounts in RMB Yuan thousands unless otherwise stated)

11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in British Virgin Islands (BVI):							
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Maxview Investments Limited	3 April 2006	Limited liability company	USD50,000	—	100%	—	Investment holding in BVI
General Light Investments Limited	5 July 2011	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Value Success Investments Limited	1 September 2006	Limited liability company	USD10,000	—	100%	—	Investment holding in BVI
Big Will Investments Limited ("Big Will")	2 November 2007	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Caifu Holdings Limited ("Caifu")	2 January 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Trillion Chance Limited ("Trillion Chance")	31 October 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Easy Tactic Limited ("Easy Tactic")	16 October 2013	Limited liability company	USD2	—	100%	—	Investment holding in BVI
Subsidiaries — incorporated in UK:							
R&F Properties (UK) Company Limited	24 August 2016	Limited liability company	GBP1	—	100%	—	Investment holding in UK
Subsidiaries — incorporated in Korea:							
R&F Korea Co., Ltd.	21 November 2016	Limited liability company	KOR1,000,000,000	—	100%	—	Property development in Korea
Subsidiaries — incorporated in Malaysia:							
R&F Development SDN BHD	7 November 2013	Limited liability company	MYR500,000	—	100%	—	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR2	—	100%	—	Property development in Malaysia
Subsidiaries — incorporated in Australia:							
R&F Property Pty Ltd	5 June 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Estate Pty Ltd	7 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Property Pty Ltd	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia

11. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in Australia: (Continued)							
R&F Mega Realty Pty Ltd	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Estate Pty Ltd	23 September 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Development Holdings Pty Ltd	30 May 2014	Limited liability company	AUD1	—	100%	—	Investment holdings in Australia
Subsidiaries — incorporated in Singapore:							
R&F Development Pte. Ltd.	16 April 2014	Limited liability company	SGD1	—	100%	—	Marketing development in Singapore

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The accumulated non-controlling interests as at 31 December 2016 were RMB653,718,000 (2015: RMB527,895,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

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(All amounts in RMB Yuan thousands unless otherwise stated)

12. INTERESTS IN JOINT VENTURES

	2016	2015
At 1 January	5,954,631	4,617,519
Acquisition of additional equity interests in a joint venture	—	(4,124)
Share of results	844,493	1,343,455
Elimination of unrealised profits	(3,732)	(2,219)
At 31 December	6,795,392	5,954,631

- (a) As at 31 December 2016, the Group's interests in joint ventures, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both profit or loss from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2016 was RMB844,493,000 (2015: RMB1,343,455,000). The joint ventures listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/ incorporation	% of ownership interests held at 31 December 2016	
		Direct	Indirect
廣州市富景房地產開發有限公司 (“廣州富景”)	the PRC	33.34%	—
天津津南新城房地產開發有限公司 (“津南新城”)	the PRC	—	25%
天津和安投資有限公司	the PRC	—	25%
Hines Shanghai New Jiangwan Development Co., Ltd. (“Hines Shanghai”)	Cayman Islands	—	50%
上海城投悅城置業有限公司 (“上海悅城”)	the PRC	—	50%
廣州市森華房地產有限公司 (“森華房地產”)	the PRC	50%	—
貴州大西南房地產開發有限公司 (“貴州大西南”)	the PRC	60%	—
廣州市騰順投資有限公司 (“騰順投資”)	the PRC	45%	—
廣西富雅投資有限公司 (“廣西富雅”)	the PRC	50%	—
Accord Wing Limited (“Accord Wing”)	BVI	—	25%
Charm Talent Limited (“Charm Talent”)	Hong Kong	—	25%

- (b) Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.
- (c) There are no contingent liabilities relating to the Group's interests in the joint ventures.

13. INTERESTS IN ASSOCIATES

	2016	2015
At 1 January	71,052	86,213
Addition	20,000	—
Acquisition of a subsidiary (Note (a))	78,793	—
Share of results	438	(9,146)
Dividends received from an associate	(3,375)	(6,015)
At 31 December	166,908	71,052

- (a) The Group acquired 50% equity interests in 北京盛興天和投資管理有限公司 (“北京盛興天和”) in 2016 through the acquisition of Golden Swan (Note 6), making it an associate of the Group.
- (b) As at 31 December 2016, the Group's interests in associates, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both profit or loss from continuing operations and total comprehensive income of these associates for the year ended 31 December 2016 was RMB64,329,000 (2015: RMB18,893,000). The associates listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/ incorporation	% of ownership interest held at 31 December 2016	
		Direct	Indirect
北京富盛利房地產經紀有限公司	the PRC	—	30%
廣州利合房地產開發有限公司 (“廣州利合”)	the PRC	20%	—
北京粵商投資股份有限公司	the PRC	—	22%
廣州盛安創富投資管理有限公司 (“盛安創富”)	the PRC	20%	—
河南建業富居投資有限公司 (“河南建業”)	the PRC	45%	—
北京中房同創文化傳媒股份有限公司	the PRC	—	20%
北京盛興天和	the PRC	—	50%

- (c) There are no contingent liabilities relating to the Group's interest in the associates.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
At 1 January	645,140	535,477
Additions	157,755	—
Disposals	(157,755)	—
Additional capital injection to an existing equity investment	—	101,032
Acquisition of additional equity interests in an unlisted private fund	—	(14,700)
Fair value gains recognised as other comprehensive income	64,990	23,331
At 31 December	710,130	645,140

Available-for-sale financial assets include the following:

	2016	2015
Unlisted securities:		
— Unlisted equity investments	583,550	564,590
— Unlisted private funds	126,580	80,550
	710,130	645,140

Available-for-sale financial assets as at 31 December 2016 and 2015 are denominated in RMB.

The fair values of unlisted securities are based on the market approach by reference to quoted prices of similar instruments. The fair values are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying amounts of available-for-sale financial assets. None of these financial assets is either past due or impaired (2015: Nil).

15. FINANCIAL INSTRUMENTS BY CATEGORY

	2016	2015
Loans and receivables		
Trade and other receivables excluding prepayments	20,017,542	15,035,051
Cash and cash equivalents	25,306,015	13,970,313
Restricted cash	20,663,067	6,814,094
Time deposits	—	500,000
	65,986,624	36,319,458
Available-for-sale financial assets	710,130	645,140
	66,696,754	36,964,598
	2016	2015
Financial liabilities at amortised cost		
Borrowings (excluding finance lease liabilities)	120,528,552	82,378,121
Finance lease liabilities	323,532	60,519
Trade and other payables excluding non-financial liabilities	18,231,502	16,102,823
	139,083,586	98,541,463

16. PROPERTIES UNDER DEVELOPMENT

	2016	2015
Amount comprises:		
Lands and land use rights	56,149,060	51,869,625
Construction costs and capitalised expenditures	16,457,644	19,491,883
Finance costs capitalised	8,527,838	7,310,418
	81,134,542	78,671,926

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 7.07% for 2016 (2015: 7.05%).

As at 31 December 2016, properties under development of RMB30,414,608,000 (2015: RMB29,687,144,000) were pledged as collateral for the Group's borrowings.

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(All amounts in RMB Yuan thousands unless otherwise stated)

17. COMPLETED PROPERTIES HELD FOR SALE

	2016	2015
Amount comprises:		
Land use rights	9,148,887	6,335,094
Construction costs and capitalised expenditures	15,115,117	14,380,159
Finance costs capitalised	2,519,014	1,712,735
	26,783,018	22,427,988

As at 31 December 2016, completed properties held for sale of RMB319,335,000 (2015: RMB1,472,747,000) were pledged as collateral for the Group's borrowings.

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
Trade receivables — net (Note (a))	7,175,084	4,864,843
Other receivables — net (Note (b))	11,747,174	5,884,946
Prepayments (Note (d))	1,662,690	2,587,669
Due from joint ventures	1,053,003	1,737,889
Due from associates	42,281	2,547,373
Total	21,680,232	17,622,720
Less: non-current portion	(97,420)	(4,046,552)
Current portion	21,582,812	13,576,168

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

	2016	2015
Trade receivables — current portion	7,209,024	4,885,021
Less: allowance for impairment	(33,940)	(20,178)
Trade receivables — non-current portion	—	—
	7,175,084	4,864,843

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of residential properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2016	2015
Up to 1 year	6,180,202	3,741,074
1 year to 2 years	391,554	877,741
2 years to 3 years	511,180	102,891
Over 3 years	126,088	163,315
	7,209,024	4,885,021

Trade receivables are analysed as follows:

	2016	2015
Fully performing under credit terms	6,433,315	3,982,775
Past due but not impaired	741,769	882,068
Non-performing and impaired	33,940	20,178
Trade receivables	7,209,024	4,885,021
Less: allowance for impairment	(33,940)	(20,178)
Trade receivables — net	7,175,084	4,864,843

As at 31 December 2016, trade receivables of RMB33,940,000 (2015: RMB20,178,000) were impaired with full allowance for impairment. The individually impaired receivables mainly related to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2016	2015
1 year to 2 years	—	2,954
2 years to 3 years	1,580	—
Over 3 years	32,360	17,224
	33,940	20,178

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(All amounts in RMB Yuan thousands unless otherwise stated)

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

For past due but not impaired receivables, the Group has the right to cancel the sale contracts and take over the legal title of the underlying properties for re-sale. Therefore, the directors consider that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2016 (2015: Nil). The ageing analysis of these trade receivables is as follows:

	2016	2015
1 year to 2 years	243,802	717,242
2 years to 3 years	433,021	63,707
Over 3 years	64,946	101,119
	741,769	882,068

Movements on the allowance for impairment of trade receivables are as follows:

	2016	2015
At 1 January	20,178	1,818
Allowance for impairment	16,734	18,365
Reversal of allowance for impairment	(2,972)	(5)
At 31 December	33,940	20,178

(b) Other receivables

Other receivables mainly represented deposits for acquisitions of land use rights and subsidiaries, and other deposits and receivables for normal business activities.

Other receivables are analysed as below:

	2016	2015
Fully performing under normal business	11,747,174	5,884,946
Non-performing and impaired	72,971	62,813
Other receivables	11,820,145	5,947,759
Less: allowance for impairment	(72,971)	(62,813)
Other receivables — net	11,747,174	5,884,946

18. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(b) Other receivables (Continued)

Movements on the allowance for impairment of other receivables are as follows:

	2016	2015
At 1 January	62,813	52,181
Allowance for impairment	10,158	10,632
At 31 December	72,971	62,813

- (c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security except for certain equity interests in a target company.
- (d) Prepayments are mainly for acquisitions of land use rights and purchases of construction materials.
- (e) The carrying amounts of the Group's trade and other receivables, including amounts due from joint ventures and associates, are denominated in the following currencies:

	2016	2015
— RMB	19,855,047	15,026,694
— HKD	105,558	—
— AUD	44,202	7,652
— MYR	12,695	592
— SGD	40	113
	20,017,542	15,035,051

19. RESTRICTED CASH

	2016	2015
Guarantee deposits for borrowings (Note (a))	12,947,855	970,239
Guarantee deposits for construction of pre-sold properties (Note (b))	6,455,545	4,663,642
Guarantee deposits for interest of senior notes (Note (c))	476,981	583,515
Guarantee deposits for construction payables (Note (d))	43,191	35,996
Guarantee deposits for resettlement costs (Note (e))	35,960	45,585
Guarantee deposits for mortgage loans provided to customers (Note (f))	68,265	19,583
Others (Note (g))	635,270	495,534
	20,663,067	6,814,094

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

19. RESTRICTED CASH (Continued)

- (a) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (c) According to the relevant contracts, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.
- (d) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (e) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (f) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (g) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

The restricted cash is denominated in the following currencies:

	2016	2015
— RMB	20,045,110	6,183,727
— USD	596,623	623,913
— MYR	21,334	1,962
— AUD	—	4,492
	20,663,067	6,814,094

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

20. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank and on hand	16,969,615	13,682,440
Short-term bank deposits	8,336,400	287,873
	25,306,015	13,970,313
	2016	2015
Denominated in:		
— RMB	15,379,209	13,878,291
— USD	9,483,308	7,451
— AUD	287,905	11,918
— HKD	123,011	46,142
— MYR	31,745	26,092
— SGD	835	419
— MOP	2	—
	25,306,015	13,970,313

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

21. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 31 December 2016 and 2015		
— domestic shares	2,207,109	551,777
— H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited. The share premium related to H shares is shown in Note 22.

As at 31 December 2016 and 2015, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

22. OTHER RESERVES

	Share premium	Available-for-sale financial assets	Statutory reserves	Translation reserves	Others	Total
Balance at 1 January 2015	3,636,625	342,167	539,144	5,810	15,076	4,538,822
Fair value gains of available-for-sale financial assets, net of tax	—	17,498	—	—	—	17,498
Currency translation differences	—	—	—	23,969	—	23,969
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	12,862	12,862
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	(2,203)	(2,203)
Balance at 31 December 2015	3,636,625	359,665	539,144	29,779	25,735	4,590,948
Balance at 1 January 2016	3,636,625	359,665	539,144	29,779	25,735	4,590,948
Fair value gains of available-for-sale financial assets, net of tax	—	48,743	—	—	—	48,743
Currency translation differences	—	—	—	(4,792)	—	(4,792)
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	44,570	44,570
Balance at 31 December 2016	3,636,625	408,408	539,144	24,987	70,305	4,679,469

- (a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profits of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts for the statutory reserves until the accumulated balance of such reserves reaches 50% of their registered capital.
- (b) Depending on the nature, the statutory reserves can be used to set off accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.
- (c) Share premium arising from the issue of H shares can be utilised in increasing paid-in capital as approved by the directors.

23. SHARES HELD FOR SHARE AWARD SCHEME

	2016	2015
Balance at 1 January	88,947	128,711
Disposals of shares	(88,947)	(39,764)
Balance at 31 December	—	88,947

23. SHARES HELD FOR SHARE AWARD SCHEME (Continued)

On 23 August 2011, a Share Award Scheme (the "Scheme") was approved and adopted by the Board of Directors of the Company. The Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 31 December 2016, no H Shares were held under Share Award Scheme of the Group.

24. PERPETUAL CAPITAL INSTRUMENTS

	2016	2015
At 1 January	7,977,869	15,648,416
Additions	2,400,000	—
Redemptions	(7,900,000)	(7,643,912)
Profit attributable to holders of perpetual capital instruments	273,943	1,105,249
Distributions to holders of perpetual capital instruments	(347,485)	(1,131,884)
At 31 December	2,404,327	7,977,869

The perpetual capital instruments are jointly guaranteed by the Company and a subsidiary and secured by pledges of the shares of the subsidiary. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the perpetual capital instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

25. ACCRUALS AND OTHER PAYABLES

	2016	2015
Amounts due to joint ventures (Note (a))	2,347,150	2,032,153
Amounts due to an associate (Note (a))	414,142	—
Advance from a joint venture	—	13,720
Construction payables (Note (b))	10,294,391	9,144,332
Other payables and accrued charges (Note (c))	8,895,782	7,537,707
	21,951,465	18,727,912

- (a) The amounts are unsecured, interest free and are repayable on demand.
- (b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.
- (c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.
- (d) The carrying amounts of accruals and other payables approximate their fair values.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS

	2016	2015
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
— Secured	32,646,591	31,422,069
— Unsecured	4,203,550	6,177,530
	36,850,141	37,599,599
Domestic bonds (Note (b))		
— Unsecured	48,697,974	6,429,519
Senior notes (Note (c))		
— Secured	11,550,207	12,776,880
Other borrowings (Note (d))		
— Secured	12,299,000	19,010,527
— Unsecured	500,000	900,000
	12,799,000	19,910,527
Finance lease liabilities (Note (e))		
— Secured	323,532	60,519
Less: current portion of long-term borrowings	(23,050,688)	(27,017,646)
	87,170,166	49,759,398
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
— Secured	8,619,900	37,500
— Unsecured	598,000	1,284,096
	9,217,900	1,321,596
Other borrowings (Note (d))		
— Secured	580,000	2,740,000
— Unsecured	833,330	1,600,000
	1,413,330	4,340,000
	10,631,230	5,661,596
Current portion of long-term borrowings	23,050,688	27,017,646
Total borrowings	120,852,084	82,438,640

26. BORROWINGS (Continued)

(a) Bank borrowings

Interest rates on bank borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2016	2015
At 1 January	38,921,195	34,538,686
Additions	25,446,361	17,858,426
Acquisition of subsidiaries	2,779,910	—
Repayments	(21,079,425)	(13,475,917)
At 31 December	46,068,041	38,921,195

(ii) The maturity of bank borrowings is as follows:

	2016	2015
Within one year	16,993,531	12,141,186
Between one and two years	10,893,059	9,711,608
Between two and five years	7,888,381	9,736,520
Over five years	10,293,070	7,331,881
Total bank borrowings	46,068,041	38,921,195

(iii) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2016	2015
— RMB	36,925,566	38,921,195
— USD	8,671,250	—
— AUD	471,225	—
	46,068,041	38,921,195

(iv) The effective interest rate of bank borrowings is 5.52% (2015: 6.52%).

(v) The carrying amounts of bank borrowings approximate their fair values.



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26. BORROWINGS (Continued)

(b) Domestic bonds

(i) 2015 Bonds

The Company issued 65,000,000 units of corporate bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015 (the “2015 Bonds”). The corporate bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the 2015 Bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the 2015 Bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basic points for the remaining periods. The 2015 Bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

(ii) 2016 Bonds

The Company issued 60,000,000 units of corporate bonds at a par value of RMB6.0 billion in the PRC on 11 January 2016 (the “Original 2016 Bonds”).

The Company further issued 36,000,000 units of corporate bonds at a par value of RMB3.6 billion in the PRC on 22 January 2016 (the “Additional 2016 Bonds I”). The interest rates of the Original 2016 Bonds and Additional 2016 Bonds I are fixed at 3.95% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rates for the remaining periods. The Original 2016 Bonds and Additional 2016 Bonds I will mature after five years from the respective issue dates, and are puttable for early redemption at the principal amount upon the third anniversary of the respective issue dates.

The Company further issued 19,500,000 units of corporate bonds at a par value of RMB1.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Bonds II”). The interest rate of the Additional 2016 Bonds II is fixed at 3.48% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Bonds II will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 9,500,000 units of corporate bonds at a par value of RMB0.95 billion in the PRC on 7 April 2016 (the “Additional 2016 Bonds III and, together with the Original 2016 Bonds, the Additional 2016 Bonds I and II, the “2016 Bonds”). The interest rate of the Additional 2016 Bonds III is fixed at 3.95% per annum. On the fifth anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Bonds III will mature after seven years from the issue date, and are puttable for early redemption at the principal amount upon the fifth anniversary of the issue date.

The net proceeds of all the 2016 Bonds, after deducting the transaction costs, amounted to RMB12,382,400,000. The 2016 Bonds were listed on the Shanghai Stock Exchange.

26. BORROWINGS (Continued)

(b) Domestic bonds (Continued)

(iii) 2016 Non-public Bonds

The Company issued 46,000,000 units of non-public bonds at a par value of RMB4.6 billion in the PRC on 16 May 2016 (the “Original 2016 Non-public Bonds”). The interest rate of the Original 2016 Non-public Bonds is fixed at 5.20% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Original 2016 Non-public Bonds will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The Company further issued 104,000,000 units of non-public bonds at a par value of RMB10.4 billion in the PRC on 30 May 2016 (the “Additional 2016 Non-public Bonds I”). The interest rate of the Additional 2016 Non-public Bonds I is fixed at 5.15% per annum. On the second anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds I will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 93,000,000 units of non-public bonds at a par value of RMB9.3 billion in the PRC on 29 June 2016 (the “Additional 2016 Non-public Bonds II”). The interest rate of the Additional 2016 Non-public Bonds II is fixed at 5.00% per annum. On the second anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds II will mature after four years from the issue date, and are puttable for early redemption at the principal amount upon the second anniversary of the issue date.

The Company further issued 57,000,000 units of non-public bonds at a par value of RMB5.7 billion in the PRC on 19 October 2016 (the “Additional 2016 Non-public Bonds III” and, together with the Original 2016 Non-public Bonds, the Additional 2016 Non-public Bonds I and II, the “2016 Non-public Bonds”). The interest rate of the Additional 2016 Non-public Bonds III is fixed at 4.39% per annum. On the third anniversary of the issue date, the Company has an option to adjust the interest rate for the remaining periods. The Additional 2016 Non-public Bonds III will mature after six years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The net proceeds of the 2016 Non-public Bonds, after deducting the transaction costs, amounted to RMB29,769,400,000.

(iv) Fair value and movement of domestic bonds

The fair values of the 2015 Bonds and 2016 Bonds as at 31 December 2016 amounted to RMB19,123,600,000. The fair values were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2016 and were within level 1 of the fair value hierarchy.

The fair values of the 2016 Non-public Bonds as at 31 December 2016 amounted to RMB30,121,098,000. The fair values were based on cash flows discounted at the borrowing rate of 4.9% and 4.75%, respectively, and were within level 2 of the fair value hierarchy.



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26. BORROWINGS (Continued)

(b) Domestic bonds (Continued)

(iv) Fair value and movement of domestic bonds (Continued)

The movements of domestic bonds are set out below:

	2016	2015
At 1 January	6,429,519	—
Additions	42,151,800	6,423,000
Interest charged	1,637,428	157,724
Interest included in other payables	(1,520,773)	(151,205)
At 31 December	48,697,974	6,429,519

(c) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

On 29 April 2016, Big Will redeemed the 2011 Notes in full at a redemption price equal to 100% of the principal amount of the 2011 Notes outstanding thereof which amounted to RMB994,680,000 plus the accrued and unpaid interest of RMB52,680,000 as of 29 April 2016.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

On 29 April 2016, Big Will redeemed the 2012 Notes in full at a redemption price equal to 100% of the principal amount of the 2012 Notes outstanding thereof which amounted to RMB1,578,225,600 plus the accrued and unpaid interest of RMB83,586,000 as of 29 April 2016.

26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

On 24 January 2017, Caifu redeemed the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,279,229,000 plus the accrued and unpaid interest of RMB177,661,000 as of 24 January 2017. The aggregate amount of the redemption premium and the unamortised borrowing costs, which amounted to RMB207,233,000, were charged to the consolidated income statement for the year ended 31 December 2016.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,217,645,000 plus the accrued and unpaid interest of RMB294,245,000 as of 10 January 2017. The aggregate amount of the redemption premium and the unamortised borrowing costs, which amounted to RMB339,373,000, were charged to the consolidated income statement of the year ended 31 December 2016.

As at 31 December 2016, the 2013 and 2014 Notes were jointly guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2015: 8.87% to 12.25%).



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(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iv) 2014 Notes (Continued)

The movements of senior notes are set out below:

	2016	2015
At 1 January	12,776,880	11,987,708
Redemption of the 2011 and 2012 Notes	(2,572,906)	—
Interest charged	1,117,780	1,178,648
Accrued early redemption premium (Note 41(a))	476,918	—
Interest included in other payables	(1,010,775)	(1,131,935)
Exchange losses	762,310	742,459
At 31 December	11,550,207	12,776,880

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2016 amounted to RMB11,599,885,000 (31 December 2015: RMB13,252,554,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2016 and is within level 1 of the fair value hierarchy.

(d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

The effective interest rate of these funding arrangements ranged from 4.75% to 13.18% (2015: 6.09% to 17.24%).

The movements of other borrowings are set out below:

	2016	2015
At 1 January	24,250,527	21,026,944
Additions	5,244,330	21,769,000
Acquisition of a subsidiary	100,000	—
Repayments	(15,343,000)	(18,555,960)
Interest charged	1,585,401	2,097,085
Interest included in other payables	(1,624,928)	(2,086,542)
At 31 December	14,212,330	24,250,527

26. BORROWINGS (Continued)

(d) Other borrowings (Continued)

The maturity of other borrowings is as follows.

	2016	2015
Within one year	5,036,330	7,713,000
Between one and two years	6,626,000	9,661,527
Between two and five years	2,550,000	6,876,000
Total other borrowings	14,212,330	24,250,527

The carrying amounts of other borrowings as at 31 December 2016 and 2015 are denominated in RMB.

The carrying amounts of other borrowings approximate their fair values.

(e) Finance lease liabilities

In April 2012, 北京富力城, a subsidiary of the Company entered into an aircraft rental agreement with an independent third party under a financial lease (the "2012 Finance Lease Arrangement"). Under the 2012 Finance Lease Arrangement, 北京富力城 leased an aircraft for an agreed term of five years commencing from 15 April 2012. At the maturity date of the lease, 北京富力城 has an option to purchase the aircraft for a consideration of RMB94,830,000.

In August 2016, 北京富力通達, another subsidiary of the Company entered into an aircraft rental agreement with an independent third party under a financial lease (the "2016 Finance Lease Arrangement"). Under the 2016 Finance Lease Arrangement, 北京富力通達 leased an aircraft for an agreed term of four years commencing from 15 September 2016. The lessor will transfer the ownership of the underlying asset to 北京富力通達 at the maturity date of the lease or the early repayment date.

The movements of finance lease liabilities are set out below:

	2016	2015
At 1 January	60,519	105,332
Additions	354,691	—
Repayments	(93,908)	(50,222)
Interest charged	6,867	5,409
Interest included in other payables	(4,637)	—
At 31 December	323,532	60,519

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(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(e) Finance lease liabilities (Continued)

	2016	2015
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	114,391	50,222
Later than 1 year and no later than 5 years	236,161	12,557
	350,552	62,779
Future finance charges on finance leases	(27,020)	(2,260)
Present value of finance lease liabilities	323,532	60,519
The present value of finance lease liabilities is as follows:		
No later than 1 year	101,850	48,176
Later than 1 year and no later than 5 years	221,682	12,343
	323,532	60,519

- (f) As at 31 December 2016, bank and other borrowings totaling RMB54,145,491,000 (2015: RMB53,210,096,000) were secured by the following:

	2016	2015
Land use rights	697,664	804,637
Property, plant and equipment	4,154,497	4,329,669
Investment properties	14,094,260	11,686,175
Properties under development	30,414,608	29,687,144
Completed properties held for sale	319,335	1,472,747
Restricted cash	9,708,419	817,000
Equity interests in subsidiaries	1,096,002	3,059,000
	60,484,785	51,856,372

The majority of unsecured bank borrowings and other borrowings are supported by guarantees issued by the Company or certain subsidiaries of the Group. Details are as follows:

	2016	2015
Guarantors		
The Company	3,998,000	6,641,200
Subsidiaries	1,303,550	1,561,096
	5,301,550	8,202,296

27. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016	2015
Deferred tax assets:		
— To be recovered after 12 months	3,708,912	2,917,625
— To be recovered within 12 months	544,949	377,561
	4,253,861	3,295,186
Deferred tax liabilities:		
— To be recovered after 12 months	(4,549,342)	(3,415,642)
— To be recovered within 12 months	(381,550)	(520,305)
	(4,930,892)	(3,935,947)
Deferred tax liabilities — net	(677,031)	(640,761)

The gross movements on the deferred income tax account are as follows:

	2016	2015
At 1 January	(640,761)	(351,144)
Income statement credits/(charges)	256,988	(281,267)
Tax charges relating to components of other comprehensive income	(16,247)	(5,833)
Acquisition of subsidiaries	(275,034)	—
Currency translation differences	(1,977)	(2,517)
At 31 December	(677,031)	(640,761)

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(All amounts in RMB Yuan thousands unless otherwise stated)

27. DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Revaluation gains arising from business combinations	Revaluation of available-for-sale financial assets	Interest capitalisation and others	Total
At 1 January 2015	591,065	3,161,182	100,488	95,622	249,690	4,198,047
(Credited)/charged to the income statement	(70,760)	250,954	(1,009)	—	205,790	384,975
Charged to other comprehensive income	—	—	—	5,833	—	5,833
At 31 December 2015	520,305	3,412,136	99,479	101,455	455,480	4,588,855
(Credited)/charged to the income statement	(138,755)	445,164	(4,810)	—	254,738	556,337
Acquisition of subsidiaries	—	176,928	185,799	—	—	362,727
Charged to other comprehensive income	—	—	—	16,247	—	16,247
At 31 December 2016	381,550	4,034,228	280,468	117,702	710,218	5,524,166

Deferred tax assets:

	Accruals and others	Tax losses	Unrealised profit on intra-group transactions	Total
At 1 January 2015	2,767,658	716,480	362,765	3,846,903
(Charged)/credited to the income statement	(254,293)	288,716	69,285	103,708
Currency translation differences	—	(2,517)	—	(2,517)
At 31 December 2015	2,513,365	1,002,679	432,050	3,948,094
Credited to the income statement	352,833	382,168	78,364	813,325
Acquisition of subsidiaries	—	87,693	—	87,693
Currency translation differences	—	(1,977)	—	(1,977)
At 31 December 2016	2,866,198	1,470,523	510,414	4,847,135

27. DEFERRED INCOME TAX (Continued)

Deferred tax assets: (Continued)

As at 31 December 2016, deferred income tax assets of RMB593,274,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2015: RMB652,908,000).

28. CURRENT INCOME TAX LIABILITIES

	2016	2015
Land appreciation tax liabilities	9,716,349	8,663,294
Income tax liabilities	2,577,682	2,342,090
	12,294,031	11,005,384

29. OTHER INCOME

	2016	2015
Interest income	194,894	143,043
Other operating income	116,462	133,713
Dividends received on available-for-sale financial assets	17,631	4,332
	328,987	281,088

30. OTHER GAINS — NET

	2016	2015
Fair value gains on investment properties — net	1,740,812	1,105,652
Gains on disposals of intangible assets	90,107	79,784
Gains on disposals of property, plant and equipment	24,175	7,126
Losses on disposals of investment properties	—	(12,528)
Others	73,125	56,970
	1,928,219	1,237,004

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31. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2016	2015
Cost of completed properties sold	36,177,776	27,085,715
Business taxes and other levies	1,957,687	2,686,859
Employee benefit expenses	1,538,257	1,426,117
Depreciation	498,490	369,273
Advertising costs	252,256	143,725
Amortisation of land use rights and intangible assets	123,468	84,236
Office expenses	142,005	154,245
Operating lease payments	22,597	16,427
Allowance for doubtful debts	23,920	28,992
Auditors' remuneration	7,522	6,739
— Audit services	6,570	6,204
— Non-audit services	952	535
Others	1,787,846	1,387,754
	42,531,824	33,390,082

32. EMPLOYEE BENEFIT EXPENSES

	2016	2015
Wages and salaries	1,204,953	1,103,464
Retirement scheme contributions	243,985	247,094
Other allowances and benefits	89,319	75,559
	1,538,257	1,426,117

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director (2015: Nil) whose emoluments are reflected in the analysis shown in Note 43. The emoluments payable to the five (2015: five) individuals during the year are as follows:

	2016	2015
Wages and salaries, housing allowances, other allowances and benefits in kind	138,194	65,275

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HKD14,500,001 to HKD15,000,000	—	1
HKD15,000,001 to HKD15,500,000	—	2
HKD16,000,001 to HKD16,500,000	—	1
HKD17,500,001 to HKD18,000,000	1	—
HKD19,500,001 to HKD20,000,000	—	1
HKD22,000,001 to HKD22,500,000	1	—
HKD22,500,001 to HKD23,000,000	1	—
HKD36,500,001 to HKD37,000,000	1	—
HKD61,500,001 to HKD62,000,000	1	—

33. FINANCE COSTS

	2016	2015
Interest expenses:		
— bank borrowings	2,278,361	2,580,355
— domestic bonds	1,637,428	157,724
— senior notes	1,117,780	1,178,648
— other borrowings	1,585,401	2,097,085
— finance lease liabilities	6,867	5,409
	6,625,837	6,019,221
Accrued early redemption premium for senior notes (Note 41(a))	476,918	—
Net foreign exchange losses	613,794	1,210,521
Less: finance costs capitalised	(5,349,504)	(5,075,747)
	2,367,045	2,153,995

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34. INCOME TAX EXPENSES

	2016	2015
Current income tax		
— PRC enterprise income tax (Note (b))	2,833,727	2,062,492
Deferred income tax	(256,988)	281,267
	2,576,739	2,343,759
Current PRC land appreciation tax (Note (c))	2,236,084	2,533,470
Total income tax expenses (Note (d))	4,812,823	4,877,229

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2015: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the year ended 31 December 2016, except for certain companies in the Group which were taxed at 2%–3% (2015: 2%-3%) on their revenue, other businesses within the Group were primarily taxed at 25% (2015: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including costs of land use rights and development and construction expenditures.

34. INCOME TAX EXPENSES (Continued)

- (d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2016	2015
Profit before income tax	11,868,840	11,589,501
Less: land appreciation tax	(2,236,084)	(2,533,470)
	9,632,756	9,056,031
Calculated at tax rate of 25% (2015: 25%)	2,408,189	2,264,008
Effects of:		
— Different income tax rates of certain companies	3,830	(8,902)
— Share of results of joint ventures and associates	(195,041)	(331,141)
— Expenses and development costs not deductible for tax purposes	502,186	516,683
— Others	(142,425)	(96,889)
PRC enterprise income tax	2,576,739	2,343,759
Land appreciation tax	2,236,084	2,533,470
Tax charge	4,812,823	4,877,229

- (e) The tax charges relating to components of other comprehensive income are as follows:

	2016			2015		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of available-for-sale financial assets	64,990	(16,247)	48,743	23,331	(5,833)	17,498

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35. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2016	2015
Profit attributable to owners of the Company	6,755,908	5,615,795
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,217,624	3,204,546
Earnings per share (RMB per share)	2.0997	1.7524

There were no potential dilutive ordinary shares as at 31 December 2016 and 2015.

36. DIVIDENDS

The dividends declared in 2016 were RMB3,866,840,000 (2015: RMB966,710,000). A dividend in respect of the year ended 31 December 2016 of RMB0.70 per ordinary share, amounting to a total dividend of RMB2,255,657,000, is to be proposed at the annual general meeting on 19 May 2017. These financial statements do not reflect this dividend payable.

	2016	2015
Interim dividend declared of RMB0.30 (2015: RMB0.30) per ordinary share	966,710	966,710
Less: Dividends for shares held for Share Award Scheme	—	(5,280)
	966,710	961,430
Proposed final dividend of RMB0.70 (2015: RMB0.90) per ordinary share	2,255,657	2,900,130
Less: Dividends for shares held for Share Award Scheme	—	(13,291)
	2,255,657	2,886,839
	3,222,367	3,848,269

37. CASH GENERATED FROM OPERATIONS

	2016	2015
Profit for the year	7,056,017	6,712,272
Adjustments for:		
— Capitalised finance costs included in costs of sales	3,180,202	2,101,856
— Taxes	4,812,823	4,877,229
— Interest income	(194,894)	(143,043)
— Finance costs	2,367,045	2,153,995
— Depreciation	498,490	369,273
— Amortisation of land use rights and intangible assets	123,468	84,236
— Gains on disposals of property, plant and equipment	(24,175)	(7,126)
— Losses on disposals of investment properties	—	12,528
— Gains on disposals of intangible assets	(90,107)	(79,784)
— Share of results of joint ventures	(844,493)	(1,343,455)
— Share of results of associates	(438)	18,451
— Fair value gains on investment properties	(1,740,812)	(1,105,652)
— Dividend income from available-for-sale financial assets	(17,631)	(4,332)
— Elimination of unrealised profits	3,732	2,219
Operating profit before changes in working capital	15,129,227	13,648,667
Changes in working capital:		
— Properties under development and completed properties held for sale	(1,165,233)	(211,460)
— Trade receivables	(2,324,003)	(85,001)
— Other receivables, deposits and prepayments	(5,404,477)	(2,427,380)
— Restricted cash	(2,040,905)	250,549
— Deposits received on sale of properties	1,139,142	(818,057)
— Accruals and other payables	371,501	(784,745)
Cash generated from operations	5,705,252	9,572,573

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38. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 31 December 2016 are analysed as follows:

	2016	2015
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	33,406,812	23,530,047
Guarantees in respect of borrowings of joint ventures and associates (Note (b))	5,514,356	3,453,045
	38,921,168	26,983,092

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the banks over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantees provided for joint ventures and associates for their borrowings.

39. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016	2015
Contracted but not provided for		
Properties development activities	6,502,044	10,506,112
Acquisition of land use rights	12,200,006	12,676,645
Additional capital injection into an associate	280,000	—
	18,982,050	23,182,757

39. COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	2016	2015
No later than one year	27,841	33,040
Later than one year and no later than five years	42,414	41,454
Later than five years	47,938	53,538
	118,193	128,032

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Key management compensation

	2016	2015
Salaries and welfare benefits	73,368	42,975

ii) Provision of lease of properties

	2016	2015
Common shareholders:		
廣州金貝殼投資有限公司	209	1,499
A joint venture:		
廣州富景	33	70
	242	1,569

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40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

iii) Drinking water system charges

	2016	2015
Common shareholders:		
廣州越富環保科技有限公司	6,513	48

iv) Provision of property management services

	2016	2015
Joint ventures:		
津南新城	18,588	5,099
貴州大西南	6,953	—
廣州富景	—	3,650
	25,541	8,749

v) Provision of decoration, design and construction services

	2016	2015
Joint ventures:		
廣州富景	188,052	162,387
貴州大西南	23,537	24,280
森華房地產	11,928	1,755
津南新城	10,902	14,915
廣西富雅	2,337	712
上海悅城	960	—
	237,716	204,049

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

vi) Purchase of installation services

	2016	2015
Controlled by an immediate family member of the major shareholder: 廣州鉅融機電工程有限公司	28,925	6,429

vii) Acquisition of a subsidiary

On 5 February 2016, the Group completed an acquisition of 100% equity interests in Golden Swan from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000. Details are disclosed in Note 6.

viii) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purposes. As at 31 December 2016, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(a) Bank borrowings

	2016	2015
Joint ventures:		
津南新城	1,125,000	128,558
廣州富景	589,004	—
上海悅城	475,000	—
廣西富雅	120,000	49,900
森華房地產	108,600	199,600
騰順投資	50,000	—
貴州大西南	48,000	120,000
Charm Talent	—	424,136
	2,515,604	922,194
Associates:		
河南建業	405,000	—
廣州利合	119,920	471,900
	524,920	471,900
	3,040,524	1,394,094

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40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

viii) Provision of guarantees for borrowings (Continued)

(b) Other borrowings

	2016	2015
A joint venture:		
上海悦城	—	300,000
Associates:		
廣州利合	896,000	1,310,000
河南建業	634,500	225,000
	1,530,500	1,535,000
	1,530,500	1,835,000

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

ix) Balances with related parties

As at 31 December 2016, the Group had the following significant balances with related parties:

	2016	2015
Due from:		
Joint ventures		
— Non-trade balances		
騰順投資(Note (a))	401,128	153,146
貴州大西南(Note (b))	350,734	241,234
Hines Shanghai (Note (b))	187,957	170,330
Accord Wing	103,181	—
廣西富雅	10,003	3
津南新城	—	1,173,176
	1,053,003	1,737,889
Associates		
— Non-trade balances		
廣州利合(Note (a))	42,281	2,439,377
河南建業	—	107,996
	42,281	2,547,373
	1,095,284	4,285,262
Due to:		
Joint ventures		
— Non-trade balances		
上海悅城	1,372,237	1,119,637
廣州富景	416,512	442,062
森華房地產	389,000	239,000
津南新城	91,825	—
北京盛興天和	77,576	—
Accord Wing	—	231,454
	2,347,150	2,032,153
An associate		
— Non-trade balances		
河南建業	414,142	—
	2,761,292	2,032,153



Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

40. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

ix) Balances with related parties (Continued)

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. No provisions are held against receivables from related parties (2015:Nil).

- (a) It represents payments for purchases of land use rights paid by the Group on behalf of the joint venture.
- (b) It represents payments for land use rights construction costs and repayments for bank borrowings paid by the Group on behalf of the joint ventures.

41. EVENTS AFTER THE REPORTING PERIOD

(a) Early redemption of senior notes

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,217,645,000 plus the accrued and unpaid interest of RMB294,245,000 as of 10 January 2017.

On 24 January 2017, Caifu redeemed the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,279,229,000 plus the accrued and unpaid interest of RMB177,661,000 as of 24 January 2017.

(b) Borrowings

On 13 January 2017, a subsidiary of the Group, Easy Tactic issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 (equivalent to approximately RMB1,826,089,000) with the issue price 99.146% of the principal amount (the "2017 Original Notes").

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 (equivalent to approximately RMB3,154,312,000) with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the "2017 Additional Notes" and, together with the 2017 Original Notes, the "2017 Notes"). The net proceeds of the 2017 Notes, after deducting the transaction costs, amounted to RMB4,944,337,000.

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December 2016	As at 31 December 2015 (Restated) (NOTE 2.1.1(a))	As at 1 January 2015 (Restated) (NOTE 2.1.1(a))
ASSETS			
Non-current assets			
Land use rights	107,382	118,816	94,930
Property, plant and equipment	1,435,661	1,418,961	1,049,989
Investment properties	142,644	140,323	137,220
Intangible assets	58,414	53,803	41,874
Investments in subsidiaries	20,388,322	19,311,654	18,412,679
Interests in joint ventures	3,637,426	2,815,987	1,685,688
Interests in associates	2,535	7,614	35,153
Deferred income tax assets	157,712	71,231	89,347
Available-for-sale financial assets	583,550	564,590	460,477
Trade and other receivables and prepayments	—	3,199,382	2,534,373
	26,513,646	27,702,361	24,541,730
Current assets			
Properties under development	1,134,049	2,266,686	5,203,901
Completed properties held for sale	2,676,403	3,004,699	1,525,644
Trade and other receivables and prepayments	52,975,831	14,135,495	7,870,746
Tax prepayments	5,562	85,515	154,447
Restricted cash	12,439,600	919,792	898,319
Cash and cash equivalents	3,418,851	1,365,762	597,861
	72,650,296	21,777,949	16,250,918
Total assets	99,163,942	49,480,310	40,792,648
EQUITY			
Equity attributable to owners of the Company			
Share capital	805,592	805,592	805,592
Other reserves	Note (a) 4,618,000	4,559,210	4,533,012
Shares held for Share Award Scheme	—	(88,947)	(128,711)
Retained earnings	Note (a) 4,930,843	5,219,618	4,135,566
Total equity	10,354,435	10,495,473	9,345,459
LIABILITIES			
Non-current liabilities			
Long-term borrowings	53,555,974	12,709,019	5,963,300
Accruals and other payables	—	—	171,222
	53,555,974	12,709,019	6,134,522
Current liabilities			
Accruals and other payables	32,818,607	20,824,009	20,919,481
Deposits received on sale of properties	—	1,014,121	1,603,608
Current income tax liabilities	896,596	1,114,888	895,808
Short-term borrowings	833,330	—	—
Current portion of long-term borrowings	705,000	3,322,800	1,893,770
	35,253,533	26,275,818	25,312,667
Total liabilities	88,809,507	38,984,837	31,447,189
Total equity and liabilities	99,163,942	49,480,310	40,792,648

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

The balance sheet of the Company was approved by the Board of Directors on 10 March 2017 and was signed on its behalf.

Li Sze Lim
Director

Zhang Li
Director

(a) Reserve movement of the Company

	Retained earnings	Other reserves
Balance as at 1 January 2015 as previously presented	3,688,938	4,533,012
Effect of changes in accounting policies (Note 2.1.1(a))	446,628	—
Balance as at 1 January 2015 as restated	4,135,566	4,533,012
Profit for the year	2,045,482	—
Fair value gains on available-for-sale financial assets, net of tax	—	13,336
Disposals of shares held for Share Award Scheme	—	12,862
Dividends for the year	(961,430)	—
Balance as at 31 December 2015 as restated	5,219,618	4,559,210
Balance as at 31 December 2015 as previously presented	3,677,092	4,559,210
Effect of changes in accounting policies (Note 2.1.1(a))	1,542,526	—
Balance as at 1 January 2016 as restated	5,219,618	4,559,210
Profit for the year	3,578,065	—
Fair value gains on available-for-sale financial assets, net of tax	—	14,220
Disposals of shares held for Share Award Scheme	—	44,570
Dividends for the year	(3,866,840)	—
Balance as at 31 December 2016	4,930,843	4,618,000

43. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2016:

Name of Director	Salary and other benefits (Note (ii))	Employer's contribution to a retirement benefit scheme	Total
Executive Directors			
Mr. Li Sze Lim	4,330	5	4,335
Mr. Zhang Li (Note (i))	4,330	5	4,335
Mr. Zhou Yaonan	6,609	—	6,609
Mr. Lu Jing	3,655	—	3,655
Non-executive Directors			
Ms. Zhang Lin	422	—	422
Ms. Li Helen	422	—	422
Independent non-executive Directors			
Mr. Ng Yau Wah Daniel	319	—	319
Mr. Lai Ming Joseph	339	—	339
Mr. Zheng Ercheng	319	—	319

For the year ended 31 December 2015:

Name of Director	Salary and other benefits (Note (ii))
Executive Directors	
Mr. Li Sze Lim	3,336
Mr. Zhang Li (Note (i))	3,336
Mr. Zhou Yaonan	3,836
Mr. Lu Jing	3,379
Non-executive Directors	
Ms. Zhang Lin	377
Ms. Li Helen	377
Independent non-executive Directors	
Mr. Huang Kaiwen (retired on 30 May 2015)	149
Mr. Ng Yau Wah Daniel (appointed on 30 May 2015)	175
Mr. Lai Ming Joseph	299
Mr. Zheng Ercheng	299

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

43. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(b) Supervisors' emoluments

The remuneration of every Supervisor for the year ended 31 December 2016 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zhao Xianglin	66

The remuneration of every Supervisor for the year ended 31 December 2015 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zhao Xianglin	66

Note:

- (i) Mr. Zhang Li is also the Chief Executive of the Company.
- (ii) Other benefits mainly include welfare and transportation expenses.
- (iii) During 2016, no directors waived or has agreed to waive any emoluments (2015: Nil).
- (iv) During the year, no emolument was paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

(c) Directors' retirement benefits and termination benefits

Save for those disclosed in Note 43(a), none of the directors received or will receive any other retirement benefits or termination benefits for the year ended 31 December 2016.

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2016, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Independent Auditor's Report



羅兵咸永道

To the shareholders of Guangzhou R&F Properties Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Guangzhou R&F Properties Co., Ltd. (the "Company") and its subsidiaries set out on pages 67 to 156, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 11 March 2016

Consolidated balance sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	2015	2014
ASSETS			
Non-current assets			
Land use rights	6	1,264,041	1,198,045
Property, plant and equipment	7	9,009,864	7,495,641
Investment properties	8	19,251,951	18,047,632
Intangible assets	9	1,034,849	977,958
Interests in joint ventures	11	5,954,631	4,617,519
Interests in associates	12	71,052	86,213
Deferred income tax assets	27	3,295,186	2,927,764
Available-for-sale financial assets	13	645,140	535,477
Trade and other receivables and prepayments	17	4,046,552	3,772,884
		44,573,266	39,659,133
Current assets			
Properties under development	15	78,671,926	81,327,691
Completed properties held for sale	16	22,427,988	17,222,116
Inventories		414,888	358,831
Trade and other receivables and prepayments	17	13,576,168	10,890,728
Tax prepayments		2,784,288	2,551,852
Restricted cash	18	6,814,094	6,339,497
Time deposits	19	500,000	—
Cash and cash equivalents	20	13,970,313	13,490,425
		139,159,665	132,181,140
Total assets		183,732,931	171,840,273
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	805,592	805,592
Other reserves	22	4,590,948	4,538,822
Shares held for Share Award Scheme	23	(88,947)	(128,711)
Retained earnings		35,404,023	30,749,658
		40,711,616	35,965,361
Perpetual capital instruments	24	7,977,869	15,648,416
Non-controlling interests		527,895	531,785
Total equity		49,217,380	52,145,562

Consolidated balance sheet

(All amounts in RMB Yuan thousands unless otherwise stated)

		As at 31 December	
	Note	2015	2014
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	49,759,398	45,553,602
Accruals and other payables	25	—	171,222
Deferred income tax liabilities	27	3,935,947	3,278,908
		53,695,345	49,003,732
Current liabilities			
Accruals and other payables	25	18,727,912	19,270,956
Deposits received on sale of properties		18,407,668	19,225,725
Current income tax liabilities	28	11,005,384	10,089,230
Short-term borrowings	26	5,661,596	3,085,000
Current portion of long-term borrowings	26	27,017,646	19,020,068
		80,820,206	70,690,979
Total liabilities		134,515,551	119,694,711
Total equity and liabilities		183,732,931	171,840,273

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

The financial statements on pages 67 to 156 were approved by the Board of Directors on 11 March 2016 and were signed on its behalf.

Li Sze Lim
 Director

Zhang Li
 Director

Consolidated income statement

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Year ended 31 December	
		2015	2014
Revenue	5	44,290,924	34,705,410
Cost of sales	30	(30,083,853)	(22,391,431)
Gross profit		14,207,071	12,313,979
Other income and other gains — net	29	1,518,092	2,030,304
Selling and marketing costs	30	(896,657)	(896,059)
Administrative expenses	30	(2,409,572)	(2,220,501)
Operating profit		12,418,934	11,227,723
Finance costs	32	(2,153,995)	(1,215,921)
Share of results of joint ventures		1,343,455	169,789
Share of results of associates		(18,893)	(25,205)
Profit before income tax		11,589,501	10,156,386
Income tax expenses	33	(4,877,229)	(3,649,997)
Profit for the year		6,712,272	6,506,389
Profit attributable to:			
— Owners of the Company		5,615,795	5,220,603
— Holders of perpetual capital instruments		1,105,249	1,331,328
— Non-controlling interests		(8,772)	(45,542)
		6,712,272	6,506,389
Basic and diluted earnings per share for profit attributable to owners of the Company			
(expressed in RMB Yuan per share)	34	1.7524	1.6325

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2015	2014
Profit for the year		6,712,272	6,506,389
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
— Fair value gains on available-for-sale financial assets, net of tax	22	17,498	173,683
— Currency translation differences		24,173	5,810
Other comprehensive income for the year, net of tax		41,671	179,493
Total comprehensive income for the year		6,753,943	6,685,882
Total comprehensive income attributable to:			
— Owners of the Company		5,657,262	5,400,096
— Holders of perpetual capital instruments		1,105,249	1,331,328
— Non-controlling interests		(8,568)	(45,542)
		6,753,943	6,685,882

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual capital instruments	Non- Controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2014	805,592	(172,563)	4,344,253	27,129,554	32,106,836	1,000,000	375,207	33,482,043
Comprehensive income								
Profit for the year	—	—	—	5,220,603	5,220,603	1,331,328	(45,542)	6,506,389
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	173,683	—	173,683	—	—	173,683
Currency translation differences	—	—	5,810	—	5,810	—	—	5,810
Total other comprehensive income, net of tax	—	—	179,493	—	179,493	—	—	179,493
Total comprehensive income for the year	—	—	179,493	5,220,603	5,400,096	1,331,328	(45,542)	6,685,882
Transactions with owners								
Decrease in ownership interests in a subsidiary without change of control	—	—	—	—	—	—	200,277	200,277
Acquisition of subsidiaries	—	—	—	—	—	—	1,843	1,843
Dividends for the year	—	—	—	(1,600,499)	(1,600,499)	—	—	(1,600,499)
Disposals of shares held for Share Award Scheme	—	43,852	15,076	—	58,928	—	—	58,928
Issuance of perpetual capital instruments	—	—	—	—	—	14,543,912	—	14,543,912
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(1,226,824)	—	(1,226,824)
Total transactions with owners	—	43,852	15,076	(1,600,499)	(1,541,571)	13,317,088	202,120	11,977,637
Balance at 31 December 2014	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562

Consolidated statement of changes in equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Perpetual capital instruments	Non- Controlling interests	Total equity
	Share capital	Shares held for Share Award Scheme	Other reserves	Retained earnings	Total			
Balance at 1 January 2015	805,592	(128,711)	4,538,822	30,749,658	35,965,361	15,648,416	531,785	52,145,562
Comprehensive income								
Profit for the year	—	—	—	5,615,795	5,615,795	1,105,249	(8,772)	6,712,272
Other comprehensive income								
Fair value gains on available-for-sale financial assets, net of tax	—	—	17,498	—	17,498	—	—	17,498
Currency translation differences	—	—	23,969	—	23,969	—	204	24,173
Total other comprehensive income, net of tax	—	—	41,467	—	41,467	—	204	41,671
Total comprehensive income for the year	—	—	41,467	5,615,795	5,657,262	1,105,249	(8,568)	6,753,943
Transactions with owners								
Changes in ownership interests in subsidiaries without change of control	—	—	(2,203)	—	(2,203)	—	2,203	—
Acquisition of subsidiaries	—	—	—	—	—	—	2,475	2,475
Dividends for the year	—	—	—	(961,430)	(961,430)	—	—	(961,430)
Disposals of shares held for Share Award Scheme	—	39,764	12,862	—	52,626	—	—	52,626
Redemptions of perpetual capital instruments	—	—	—	—	—	(7,643,912)	—	(7,643,912)
Distributions to holders of perpetual capital instruments	—	—	—	—	—	(1,131,884)	—	(1,131,884)
Total transactions with owners	—	39,764	10,659	(961,430)	(911,007)	(8,775,796)	4,678	(9,682,125)
Balance at 31 December 2015	805,592	(88,947)	4,590,948	35,404,023	40,711,616	7,977,869	527,895	49,217,380

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(All amounts in RMB Yuan thousands unless otherwise stated)

		Year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Cash generated from/(used in) operations	36	9,572,573	(12,407,150)
Interest paid		(5,930,702)	(5,842,478)
Enterprise income tax and land appreciation tax paid		(3,997,766)	(3,815,173)
Net cash used in operating activities		(355,895)	(22,064,801)
Cash flows from investing activities			
Purchases of property, plant and equipment		(1,302,766)	(971,283)
Purchases of intangible assets		(158,568)	(145,917)
Additions of investment properties		(136,323)	(161,420)
Proceeds from disposals of property, plant and equipment		15,568	25,393
Proceeds from disposals of investment properties		43,392	41,442
Proceeds from disposals of intangible assets		120,210	—
Investments in available-for-sale financial assets		(101,032)	(22,500)
Investments in joint ventures		—	(220,560)
Acquisition of subsidiaries, net of cash acquired		(106,009)	—
Prepayment made for acquisition of a subsidiary		(434,000)	—
Cash repayments from joint ventures and associates		585,660	879,078
Cash advances to joint ventures and associates		(892,026)	(1,771,515)
Dividends received on available-for-sale financial assets		4,332	—
Dividends received from an associate		6,015	5,615
Increase in time deposits		(500,000)	—
Increase in guarantee deposits for borrowings of a related party		(50,000)	—
Interest received		143,043	211,760
Net cash used in investing activities		(2,762,504)	(2,129,907)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		46,050,426	28,950,368
Repayments of borrowings		(32,031,877)	(22,886,034)
Repayments of finance lease liabilities		(50,222)	(50,222)
Proceeds from disposal of equity interests in a subsidiary		—	200,277
(Increase)/decrease in guarantee deposits for borrowings		(757,366)	1,994,960
Net proceeds from issuance of perpetual capital instruments		—	14,543,912
Redemption of perpetual capital instruments		(7,643,912)	—
Distributions paid to holders of perpetual capital instruments		(1,131,884)	(1,226,824)
Proceeds from disposals of shares for Share Award Scheme		52,626	58,928
Dividends paid to owners of the Company		(961,430)	(1,651,664)
Net cash generated from financing activities		3,526,361	19,933,701
Net increase/(decrease) in cash and cash equivalents		407,962	(4,261,007)
Exchange gains on cash and cash equivalents		71,926	29,270
Cash and cash equivalents at beginning of year		13,490,425	17,722,162
Cash and cash equivalents at end of year	20	13,970,313	13,490,425

The notes on pages 74 to 156 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1. GENERAL INFORMATION

Guangzhou R&F Properties Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the PRC. The address of its registered office is 45–54/F, R&F Center, No.10 Hua Xia Road, Guangzhou 510623, the PRC.

The shares of the Company have been listed on The Main Board of Stock Exchange of Hong Kong Limited since 14 July 2005.

These financial statements are presented in RMB Yuan (RMB), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015.

Standards	Subject
Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010–2012 cycle
Annual improvements 2013	Annual improvements 2011–2013 cycle

The adoption of amended standards has no material impact on the Group’s financial statements except for disclosure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures (Continued)

(b) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New and amended standards and annual improvements not yet adopted*

A number of new standards, amendments to standards and annual improvements are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Group’s consolidated financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted in.

Standards	Subject	Effective for annual periods beginning on or after
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other income and other gains — net".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Buildings	20–30 years
— Furniture, fixtures and equipment	3–5 years
— Transportation equipment	4–15 years
— Machinery	5–10 years

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains — net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other income and other gains — net".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(a) *Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) *Construction licence*

Construction licence acquired in a business combination is recognised at fair value at the acquisition date. The directors of the Group are of the view that the Group has both intention and ability to renew the construction licence continuously and the useful life of the construction licence is considered as indefinite. Construction licence is tested annually for impairment and carried at cost less accumulated impairment losses.

(c) *Customer contracts*

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the execution of the customer contracts.

(d) *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from five to ten years.

(e) *Football players*

The Group operates a football club. The costs associated with the acquisition of players' registrations are capitalised as intangible assets at the fair value of the consideration payable, including an estimate of the fair value of any contingent consideration. Costs associated with the acquisition of players' registrations include transfer fees, agents' fees and other directly attributable costs. These costs are amortised over the period covered by the player's contract or best estimated based on the player's physical conditions. To the extent that a player's contract is extended, the remaining book value is amortised over the remaining revised contract life.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life — for example, goodwill or construction license — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

Dividends on available-for-sale equity instruments are recognised in the income statement as part of “other income and other gains — net” when the Group’s right to receive payments is established.

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received. Discretionary interest declared by the Group to the holders of perpetual capital instrument is treated as dividend.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of financial assets (Continued)

(a) *Assets carried at amortised cost (Continued)*

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.15 Land use rights

All lands in the PRC are state-owned and no individual ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at the lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Properties under development (Continued)

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Completed properties held for sale

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

2.18 Inventories

Inventories principally comprise construction materials, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties, provision of construction, hotel and property management services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.21 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.22 Share capital and Shares held for Share Award Scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company’s Employee Share Trust purchases H shares from the market, the consideration paid, including any directly attributable incremental costs is presented as Shares held for Share Award Scheme and presented as a deduction against equity attributable to the Company’s equity holders.

2.23 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.24 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.26 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.27 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(b) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(c) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.28 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.29 Revenue recognition

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

(a) *Sale of properties*

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

(b) *Construction services*

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

(c) *Rental income*

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

(d) *Hotel operations*

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

(e) *Property management*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition (Continued)

(f) *Interest income*

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

(g) *Dividend income*

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

2.30 Leases

(a) *The Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) *The Group is the lessor*

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC, Malaysia and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD"), US dollars ("USD"), Malaysia ringgits ("MYR"), Singapore dollars ("SGD") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2015 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,730	(1,730)
Accruals and other payables	(8,680)	8,680
Denominated in USD		
Cash and cash equivalents	279	(279)
Restricted cash	23,397	(23,397)
Borrowings	(479,133)	479,133
Denominated in MYR		
Cash and cash equivalents	978	(978)
Restricted cash	74	(74)
Trade and other receivables	22	(22)
Accruals and other payables	(194)	194
Denominated in AUD		
Cash and cash equivalents	447	(447)
Restricted cash	168	(168)
Trade and other receivables	287	(287)
Accruals and other payables	(698)	698
Denominated in SGD		
Cash and cash equivalents	16	(16)
Trade and other receivables	4	(4)
Accruals and other payables	(30)	30

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The table below summarises the impact of changes in foreign exchange rates at 31 December 2014 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,001	(1,001)
Accruals and other payables	(15,968)	15,968
Denominated in USD		
Cash and cash equivalents	13,016	(13,016)
Restricted cash	20,619	(20,619)
Borrowings	(449,539)	449,539
Denominated in MYR		
Cash and cash equivalents	1,539	(1,539)
Trade and other receivables	499	(499)
Accruals and other payables	(656)	656
Denominated in AUD		
Cash and cash equivalents	352	(352)
Accruals and other payables	(500)	500
Denominated in SGD		
Cash and cash equivalents	10	(10)
Trade and other receivables	5	(5)
Accruals and other payables	(151)	151

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available-for-sale financial assets, which are not publicly traded. Other components of equity would increase/decrease as a results of gains/losses on equity securities classified as available-for-sale. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's borrowings at variable rate were denominated in RMB.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(60,812)	60,812

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(50,561)	50,561

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is the aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-quality banks.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2015, no customer accounted for more than 5% of the Group's trade receivables (2014: Nil).

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantees to its joint ventures and associates for their borrowings.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investments in land banks, adjusting project development timetable to adapt to changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, and disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

During the year, the Group met the requirements for interest payments and principal repayments due on its borrowings. Based on the Group's accounting policy on borrowings described in Note 2.24 and certain terms and conditions in the relevant agreements, borrowings of RMB10.3 billion that have original contractual maturity after 31 December 2016 (out of the total related principal amount of RMB12.8 billion) were reclassified as current liabilities as at 31 December 2015.

In preparing these financial statements, the directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group will have adequate financial resources to support the Group to continue in operational existence for the foreseeable future. As disclosed in Note 42(b), the Group successfully issued long-term domestic corporate bonds of RMB9,600,000,000 in January 2016. Under these circumstances, the directors are of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months from 31 December 2015.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2015					
Borrowings (excluding finance lease liabilities (Note (1)))	38,298,777	21,970,877	26,263,794	9,844,855	96,378,303
Finance lease liabilities	50,222	12,557	—	—	62,779
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,958,491	—	—	—	6,958,491
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	23,530,047	—	—	—	23,530,047
Guarantees in respect of borrowings of joint ventures and associates	1,888,459	1,200,230	364,356	—	3,453,045
At 31 December 2014					
Borrowings (excluding finance lease liabilities (Note (1)))	26,581,659	20,684,070	24,312,303	10,093,814	81,671,846
Finance lease liabilities	50,222	50,222	12,557	—	113,001
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	6,106,915	171,222	—	—	6,278,137
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	18,438,122	—	—	—	18,438,122
Guarantees in respect of borrowings of joint ventures and an associate	769,838	2,073,870	1,636,191	—	4,479,899

Note:

- (1) Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may raise funding through capital market or bank borrowings as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents, restricted cash and time deposits.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
Total borrowings	82,438,640	67,658,670
Less: cash and cash equivalents	(13,970,313)	(13,490,425)
restricted cash	(6,814,094)	(6,339,497)
time deposits	(500,000)	—
Net debt	61,154,233	47,828,748
Total equity	49,217,380	52,145,562
Gearing ratio	124.3%	91.7%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 and 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

See Note 8 for disclosures of the investment properties that are measured at fair value.

	Available-for-sale financial assets	
	2015	2014
Level 3	645,140	535,477

(a) *Financial instruments in level 3*

The fair value of the Group's major available-for-sale financial assets was revalued on 31 December 2015 by an independent and professionally qualified valuer. The valuation is performed based on the market approach by reference to quoted market prices for similar instruments, maximising the use of observable market data where it is available and relying as little as possible on entity specific estimates. The available-for-sale financial assets were included in level 3 as the valuation involves the use of certain factors (unobservable inputs) to adjust the data derived from increasingly volatile markets to arrive at the estimated fair value for these unquoted equity investments. The fair value gain on the equity investments was included in "other comprehensive income".

A sensitivity analysis of the Group's major available-for-sale financial assets is disclosed in Note 4.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) **Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the gross margin or growth rate had been lower than management estimates by 10% or discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of goodwill as at 31 December 2015.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated impairment of construction licenses

Useful life of construction licenses is indefinite and therefore, the carrying amount is subject to test annually for impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Key assumptions used in the value-in-use calculations are disclosed in Note 9.

A sensitivity analysis on key assumptions used in the calculation has been carried out. If the royalty rate or growth rate had been lower than management estimates by 10% or the discount rate had been higher than management estimates by 10% with other variables held constant, the Group would not have suffered any impairment of construction licenses as at 31 December 2015.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses in the periods in which such estimate is changed.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in the income tax expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognised these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgment and assumptions have been disclosed in Note 8.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(f) Fair value of available-for-sale financial assets

The fair value of the Group's major available-for-sale financial assets that are not quoted in active markets is determined by using valuation techniques. Changes in assumptions used in the valuation could affect reported fair value of available-for-sale financial assets.

If the market price had been lower than management estimates by 5% with other variables held constant, the carrying amount of available-for-sale financial assets would have been lowered by RMB28,430,000.

(g) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2015, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2014: Nil).

5. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Executive Directors. Management has determined the operating segments based on the information reviewed by the Executive Directors for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Directors consider the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Directors assess the performance of the operating segments based on a measure of profit for the year.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	40,744,245	925,827	1,226,483	1,852,650	44,749,205
Inter-segment revenue	—	(68,572)	(45,333)	(344,376)	(458,281)
Revenue from external customers	40,744,245	857,255	1,181,150	1,508,274	44,290,924
Profit/(loss) for the year	6,178,335	1,210,431	(167,446)	(509,048)	6,712,272
Finance costs	(1,639,068)	(128,414)	(221,168)	(165,345)	(2,153,995)
Share of results of joint ventures	1,343,455	—	—	—	1,343,455
Share of results of associates	(30,828)	—	—	11,935	(18,893)
Income tax (expenses)/credits	(4,709,625)	(401,518)	55,815	178,099	(4,877,229)
Depreciation and amortisation	(185,145)	—	(207,937)	(60,427)	(453,509)
(Allowance for)/reversal of allowance for impairment losses of receivables	(29,034)	—	66	(24)	(28,992)
Fair value gains on investment properties — net of tax	—	830,709	—	—	830,709
Segment assets	152,617,182	19,251,951	6,854,021	1,069,451	179,792,605
Segment assets include:					
Interests in joint ventures	5,954,631	—	—	—	5,954,631
Interests in associates	8,056	—	—	62,996	71,052
Addition to non-current assets (other than financial instruments and deferred tax assets)	603,789	154,587	916,262	145,011	1,819,649
Segment liabilities	36,287,953	—	256,897	590,730	37,135,580

5. SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue	31,650,997	879,847	1,137,521	1,358,864	35,027,229
Inter-segment revenue	—	(52,584)	(28,918)	(240,317)	(321,819)
Revenue from external customers	31,650,997	827,263	1,108,603	1,118,547	34,705,410
Profit/(loss) for the year	5,449,418	1,576,066	(139,619)	(379,476)	6,506,389
Finance costs	(697,934)	(155,492)	(231,187)	(131,308)	(1,215,921)
Share of results of joint ventures	169,789	—	—	—	169,789
Share of results of associates	(24,705)	—	—	(500)	(25,205)
Income tax (expenses)/credits	(3,285,959)	(525,356)	46,540	114,778	(3,649,997)
Depreciation and amortisation	(232,557)	—	(177,312)	(62,834)	(472,703)
Goodwill disposed for sale of properties	(3,269)	—	—	—	(3,269)
(Allowance for)/reversal of allowance for impairment losses of receivables	(10,250)	—	(42)	601	(9,691)
Fair value gains on investment properties — net of tax	—	1,228,631	—	—	1,228,631
Segment assets	143,397,989	18,047,632	6,085,875	845,536	168,377,032
Segment assets include:					
Interests in joint ventures	4,617,519	—	—	—	4,617,519
Interests in associates	35,153	—	—	51,060	86,213
Addition to non-current assets (other than financial instruments and deferred tax assets)	475,914	559,319	108,049	167,268	1,310,550
Segment liabilities	37,777,761	—	307,688	582,454	38,667,903

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets and available-for-sale financial assets are not considered to be segment assets but rather are managed on a central basis.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

5. SEGMENT INFORMATION (Continued)

Reportable segments' assets are reconciled to total assets as follows:

	2015	2014
Segment assets for reportable segments	179,792,605	168,377,032
Deferred income tax assets	3,295,186	2,927,764
Available-for-sale financial assets	645,140	535,477
Total assets per balance sheet	183,732,931	171,840,273

The amounts provided to the Executive Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015	2014
Segment liabilities for reportable segments	37,135,580	38,667,903
Deferred income tax liabilities	3,935,947	3,278,908
Current income tax liabilities	11,005,384	10,089,230
Current borrowings	32,679,242	22,105,068
Non-current borrowings	49,759,398	45,553,602
Total liabilities per balance sheet	134,515,551	119,694,711

Entity-Wide information

Breakdown of revenue from all services is as follows:

Analysis of revenue by category	2015	2014
Sale of properties	40,744,245	31,650,997
Rental income	857,255	827,263
Hotel operations	1,181,150	1,108,603
Property management services and others	1,508,274	1,118,547
	44,290,924	34,705,410

5. SEGMENT INFORMATION (Continued)

Revenue from external customers by country, based on the destination of the customer:

	2015	2014
PRC	44,289,281	34,705,410
Other countries	1,643	—
Total	44,290,924	34,705,410

Revenues from the individual countries included in “other countries” are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group’s revenues for the year ended 31 December 2015 (2014: Nil)

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2015	2014
PRC	37,013,494	33,545,227
Other countries	6,894	—
Total	37,020,388	33,545,227

Non-current assets in the individual countries included in “other countries” are not material.

6. LAND USE RIGHTS

The Group’s interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015	2014
At 1 January	1,198,045	1,098,345
Transfer from properties under development	101,572	155,905
Amortisation of prepaid operating lease payments	(35,576)	(56,205)
At 31 December	1,264,041	1,198,045

Land use rights are amortised in the following categories:

	2015	2014
Selling and administrative expenses	3,835	6,970
Cost of sales	19,150	15,023
Capitalised in property, plant and equipment	12,591	34,212
	35,576	56,205

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(All amounts in RMB Yuan thousands unless otherwise stated)

6. LAND USE RIGHTS (Continued)

Borrowings are secured on land use rights for the carrying amount of RMB804,637,000 (2014: RMB581,083,000).

7. PROPERTY, PLANT AND EQUIPMENT

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment Asset acquired under finance lease	Others	Machinery	Assets under construction	Total
At 1 January 2014								
Cost	1,479,352	3,779,434	498,944	395,325	306,778	351,911	1,146,488	7,958,232
Accumulated depreciation	(181,254)	(451,068)	(332,907)	(41,905)	(180,958)	(203,469)	—	(1,391,561)
Net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Year ended 31 December 2014								
Opening net book amount	1,298,098	3,328,366	166,037	353,420	125,820	148,442	1,146,488	6,566,671
Additions	24,753	889	78,086	—	49,444	60,033	792,786	1,005,991
Transfer from properties under development	57,590	131,030	—	—	—	—	151,724	340,344
Transfer to properties under development	—	(18,653)	—	—	—	—	—	(18,653)
Disposals	(5,730)	—	(1,562)	—	(1,630)	(1,612)	—	(10,534)
Depreciation	(58,796)	(131,695)	(55,385)	(25,143)	(60,327)	(56,832)	—	(388,178)
Closing net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
At 31 December 2014								
Cost	1,549,840	3,892,700	570,291	395,325	342,161	400,877	2,090,998	9,242,192
Accumulated depreciation	(233,925)	(582,763)	(383,115)	(67,048)	(228,854)	(250,846)	—	(1,746,551)
Net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Year ended 31 December 2015								
Opening net book amount	1,315,915	3,309,937	187,176	328,277	113,307	150,031	2,090,998	7,495,641
Additions	98,488	1,022	183,349	—	30,234	37,801	1,155,600	1,506,494
Transfer from properties under development	393,617	—	—	—	—	—	—	393,617
Transfer to properties under development	—	—	—	—	—	—	(7,296)	(7,296)
Assets under construction transfer to buildings	14,652	1,658,141	—	—	—	—	(1,672,793)	—
Disposals	(5,200)	—	(960)	—	(313)	(1,969)	—	(8,442)
Depreciation	(47,976)	(135,360)	(81,363)	(25,143)	(43,375)	(36,056)	—	(369,273)
Currency translation differences	—	—	(393)	—	(484)	—	—	(877)
Closing net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864
At 31 December 2015								
Cost	2,049,429	5,551,862	750,028	395,325	368,122	422,131	1,566,509	11,103,406
Accumulated depreciation	(279,933)	(718,122)	(462,219)	(92,191)	(268,753)	(272,324)	—	(2,093,542)
Net book amount	1,769,496	4,833,740	287,809	303,134	99,369	149,807	1,566,509	9,009,864

7. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation expense has been charged in the following categories:

	2015	2014
Selling and administrative expenses	129,056	157,876
Cost of sales	240,217	230,302
	369,273	388,178

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2015, borrowing costs capitalised in assets under construction amounted to RMB54,926,000 (2014:RMB114,823,000). Borrowing costs were capitalised at the weighted average rate of 8.09% for the year ended 31 December 2015 (2014: 7.74%)

Borrowings are secured by office buildings, hotel buildings and assets under construction with a carrying amount of RMB4,329,669,000 (2014: RMB4,309,544,000).

The Group leases an aircraft under non-cancellable finance lease agreement. The lease term is 5 years, and ownership of the asset lies within the Group.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
Year ended 31 December 2014			
Opening balance at 1 January	15,475,564	412,623	15,888,187
Additions	—	559,319	559,319
Disposals	(38,048)	—	(38,048)
Fair value gains	249,627	1,388,547	1,638,174
Closing balance at 31 December	15,687,143	2,360,489	18,047,632
Total gains for the year included in profit or loss, under “other income and other gains — net”	253,021	1,388,547	1,641,568
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	249,627	1,388,547	1,638,174
Year ended 31 December 2015			
Opening balance at 1 January	15,687,143	2,360,489	18,047,632
Additions	—	154,587	154,587
Disposals	(55,920)	—	(55,920)
Transfers	2,515,076	(2,515,076)	—
Fair value gains	1,105,652	—	1,105,652
Closing balance at 31 December	19,251,951	—	19,251,951
Total gains for the year included in profit or loss, under “other income and other gains — net”	1,093,124	—	1,093,124
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of year	1,105,652	—	1,105,652

(a) Amount recognised in the consolidated income statement for investment properties:

	2015	2014
Rental income	857,255	827,263
Direct operating expenses arising from investment properties that generate rental income	(95,000)	(69,379)
Direct operating expenses that did not generate rental income	(70,275)	(41,096)

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

8. INVESTMENT PROPERTIES (Continued)

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2015 and 2014. The revaluation gains or losses are included in "other income and other gains — net" in the income statement.

As at 31 December 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2015 and 2014 by independent and professionally qualified valuers not related to the Group who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

8. INVESTMENT PROPERTIES (Continued)

(d) Valuation techniques (Continued)

For investment properties under construction, the Group has valued such properties on the basis that they will be developed and completed in accordance with the Group's latest development plans. The valuations were based on residual method, which is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk associated with the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

(e) Information about fair value measurements using significant unobservable inputs (level 3)

Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	5,831,086	Term and reversionary method	Term yields	7.00%–7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.00%–7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	326–389	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	39,400–59,000	The higher the market price, the higher the fair value
	Retail	12,799,546	Term and reversionary method	Term yields	5.00%–7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	5.00%–7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	60–319	The higher the market rents, the higher the fair value
	Carpark	621,319	Direct comparison method	Market price (RMB/square metre)	4,226–10,012	The higher the market price, the higher the fair value

8. INVESTMENT PROPERTIES (Continued)

(e) Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

Description		Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office	5,371,568	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	284–320	The higher the market rents, the higher the fair value
	Retail	9,664,936	Term and reversionary method	Market price (RMB/square metre)	37,200–55,300	The higher the market price, the higher the fair value
				Term yields	6.00%–8.00%	The higher the term yields, the lower the fair value
				Reversionary yields	6.00%–8.00%	The higher the reversion yields, the lower the fair value
	Carpark	650,639	Direct comparison method	Market rents (RMB/square metre/month)	60–295	The higher the market rents, the higher the fair value
				Market price (RMB/square metre)	4,226–10,012	The higher the market price, the higher the fair value
Investment properties under construction	Retail	2,360,489	Residual method	Market price (RMB/square metre)	27,533–38,395	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/square metre)	1,599–1,917	The higher the budgeted construction costs to incurred, the lower the fair value
				Developer's profit (%)	2.04%–4.62%	The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

(f) Investment properties pledged as security

Borrowings are secured on investment properties for the value of RMB11,686,175,000 (2014: RMB6,853,499,000).

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

9. INTANGIBLE ASSETS

	Goodwill	Construction licence	Customer contracts	Software and others	Total
At 1 January 2014					
Cost	510,002	282,000	322,000	180,038	1,294,040
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(71,221)	(396,204)
Net book amount	507,019	282,000	—	108,817	897,836
Year ended 31 December 2014					
Opening net book amount	507,019	282,000	—	108,817	897,836
Additions	—	—	—	145,923	145,923
Amortisation charge	—	—	—	(62,532)	(62,532)
Goodwill disposed for sale of properties, charged to cost of sales	(3,269)	—	—	—	(3,269)
Closing net book amount	503,750	282,000	—	192,208	977,958
At 31 December 2014					
Cost	506,733	282,000	322,000	325,961	1,436,694
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(133,753)	(458,736)
Net book amount	503,750	282,000	—	192,208	977,958
Year ended 31 December 2015					
Opening net book amount	503,750	282,000	—	192,208	977,958
Additions	—	—	—	158,568	158,568
Amortisation charge	—	—	—	(61,251)	(61,251)
Disposals	—	—	—	(40,426)	(40,426)
Closing net book amount	503,750	282,000	—	249,099	1,034,849
At 31 December 2015					
Cost	506,733	282,000	322,000	414,366	1,525,099
Accumulated amortisation and impairment	(2,983)	—	(322,000)	(165,267)	(490,250)
Net book amount	503,750	282,000	—	249,099	1,034,849

Intangible assets are amortised in the following categories:

	2015	2014
Selling and administrative expenses	9,339	7,935
Cost of sales	51,912	54,597
	61,251	62,532

9. INTANGIBLE ASSETS (Continued)

(a) Goodwill

Impairment test for goodwill

Goodwill is mainly allocated to the Group's cash-generating units (CGUs) identified as the construction services unit within the property development segment. The recoverable amount of the CGU as at 31 December 2015 was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations in 2015 and 2014 are as follows.

	2015	2014
Gross margin	12%	12%
Growth rate for the five-year period	3%–5%	3%–8%
Terminal growth rate	3%	3%
Pre-tax discount rate	12.82%	13.66%

Management determined budgeted gross margin and weighted average growth rates based on past performance and its expectations of the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

(b) Construction licence

Impairment test for construction licence

The recoverable amount of construction licence based on value-in-use calculations as at 31 December 2015 was determined by estimating the value of royalty (that is, licence fee) from which the Group is exempted by virtue of the fact that it owns the licence. The value of royalty is determined by a royalty rate of the licence multiplied by the net revenue expected to be generated by the Company and then capitalised at a discounted rate. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

Key assumptions used for value-in-use calculations in 2015 and 2014 are as follows.

	2015	2014
Royalty rate	1%	1%
Growth rate for the five-year period	3%–5%	3%–8%
Terminal growth rate	3%	3%
Pre-tax discount rate	13.71%	14.58%

Management determined royalty rate and weighted average growth rates based on past performance and industry factor. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

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10. SUBSIDIARIES

The following is a list of principal subsidiaries at 31 December 2015:

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC:							
廣州富力興盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of office buildings in the PRC
廣州富力恆盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力鼎盛置業發展有限公司	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	25%	75%	—	Development and investment of hotel buildings in the PRC
廣州富力嘉盛置業發展有限公司	29 September 2005	Limited liability company	RMB400,000,000	97.5%	2.5%	—	Property development in the PRC
廣州富力創盛置業發展有限公司	4 November 2005	Limited liability company	RMB360,000,000	86.11%	13.89%	—	Property development in the PRC
廣州德和投資發展有限公司	10 January 2006	Limited liability company	RMB300,000,000	98.67%	1.33%	—	Property development in the PRC
廣州市住宅建築設計院有限公司	26 April 1995	Limited liability company	RMB5,000,000	93.84%	6.16%	—	Residential architecture design in the PRC
廣州天力建築工程有限公司	20 May 1993	Limited liability company	RMB300,000,000	90%	10%	—	Construction company in the PRC
廣東恆力建設工程有限公司	12 June 2001	Limited liability company	RMB15,000,000	—	100%	—	Construction company in the PRC
廣州富力美好置業發展有限公司	10 November 2003	Limited liability company	RMB3,010,000	80%	20%	—	Property leasing in the PRC
廣州天力物業發展有限公司	10 December 1997	Limited liability company	RMB5,000,000	90%	10%	—	Property management in the PRC
廣州富力裝飾工程有限公司	27 April 2006	Limited liability company	RMB10,000,000	90%	10%	—	Provision of interior design service in the PRC
廣州富力億盛置業發展有限公司	31 August 2005	Limited liability company	RMB100,000,000	90%	10%	—	Property development in the PRC
惠州富力房地產開發有限公司	10 April 2007	Limited liability company	RMB100,000,000	95%	5%	—	Property development in the PRC
龍門富力房地產開發有限公司	6 September 2007	Limited liability company	RMB196,001,568	97.45%	2.55%	—	Property development in the PRC
博羅縣紅中實業發展有限公司	27 April 2004	Limited liability company	RMB250,000,000	95%	5%	—	Property development in the PRC
北京富力城房地產開發有限公司	24 April 2002	Limited liability company	RMB1,394,781,578	96%	4%	—	Property development in the PRC
富力(北京)地產開發有限公司	27 June 2002	Limited liability company	RMB100,000,000	80%	20%	—	Property development in the PRC
北京龍熙順景房地產開發 有限責任公司	20 August 2001	Limited liability company	RMB29,000,000	—	100%	—	Property development in the PRC
北京東方長安房地產開發有限公司	6 December 2001	Limited liability company	RMB50,000,000	—	100%	—	Property development in the PRC

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
富力(香港)房地產開發有限公司	5 November 2009	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
北京恆富物業服務有限公司	12 December 2002	Limited liability company	RMB5,000,000	—	100%	—	Property management in the PRC
富力南京地產開發有限公司	8 September 2010	Limited liability company	RMB500,000,000	—	100%	—	Property development in the PRC
北京富力歐美國林綠化工程 有限公司	6 March 2003	Limited liability company	RMB5,000,000	—	100%	—	Gardening and virescence construction in the PRC
北京天越門窗製造有限公司	8 August 2003	Limited liability company	RMB2,000,000	—	100%	—	Manufacturing of aluminium frame and sales of construction and decoration materials in the PRC
北京極富房地產開發有限公司	30 August 2007	Limited liability company	RMB30,000,000	100%	—	—	Property development in the PRC
天津富力城房地產開發有限公司	29 November 2004	Limited liability company	RMB604,280,000	98.35%	1.65%	—	Property development in the PRC
天津耀華投資發展有限公司	27 September 2002	Limited liability company	RMB535,475,234	—	100%	—	Property development in the PRC
西安保德信房地產開發有限公司	8 August 2005	Limited liability company	RMB65,000,000	—	100%	—	Property development in the PRC
太原富力城房地產開發有限公司	14 August 2007	Limited liability company	RMB350,000,000	—	100%	—	Property development in the PRC
重慶富力房地產開發有限公司	30 December 2005	Limited liability company	RMB660,000,000	32.35%	67.65%	—	Property development in the PRC
廣州富力地產(重慶)有限公司	26 January 2007	Limited liability company	RMB854,500,761	94.82%	5.18%	—	Property development in the PRC
成都富力地產開發有限公司	27 March 2007	Limited liability company	RMB600,000,000	98.33%	1.67%	—	Property development in the PRC
成都熊貓萬國商城有限公司	29 October 1997	Limited liability company	RMB80,000,000	85%	—	15%	Property development in the PRC
上海富力房地產開發有限公司	25 April 2007	Limited liability company	RMB200,000,000	95%	5%	—	Property development in the PRC
昆山新延房地產開發有限公司	16 November 2000	Limited liability company	RMB128,000,000	—	100%	—	Property development in the PRC
昆山國銀置業有限公司	9 July 2002	Limited liability company	RMB380,000,000	95%	5%	—	Property development in the PRC
海南三林旅業開發有限公司	7 March 1995	Limited liability company	RMB124,900,000	—	100%	—	Property development in the PRC
海南怡豐房地產發展(香港)公司	27 January 1994	Limited liability company	HKD15,000,000	85%	15%	—	Property development in the PRC
海南陵水富力灣開發有限公司	23 November 2006	Limited liability company	RMB500,000,000	100%	—	—	Property development in the PRC
海南富力房地產開發有限公司	29 March 2007	Limited liability company	RMB100,000,000	95%	5%	—	Property development in the PRC

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(All amounts in RMB Yuan thousands unless otherwise stated)

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in the PRC: (Continued)							
海南那甲旅業開發有限公司	27 November 1998	Limited liability company	RMB300,000,000	99.8%	0.2%	—	Property development in the PRC
海南協興地產發展(香港)有限公司	26 January 1994	Limited liability company	HKD15,000,000	85%	15%	—	Property development in the PRC
海南天力建築工程有限公司	9 July 2010	Limited liability company	RMB20,000,000	—	100%	—	Construction company in the PRC
北京富源盛達房地產開發有限公司	20 January 2011	Limited liability company	RMB30,000,000	—	100%	—	Property development in the PRC
富力(哈爾濱)房地產開發有限公司	12 April 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
廣州富力足球俱樂部有限公司	7 July 2011	Limited liability company	RMB20,000,000	100%	—	—	Operation of a football club in the PRC
大同富力城房地產開發有限公司	7 November 2011	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
惠州富茂房地產開發有限公司	14 May 2010	Limited liability company	RMB500,000,000	50%	50%	—	Property development in the PRC
天津百合灣建設有限公司	30 January 2012	Limited liability company	RMB160,000,000	—	100%	—	Property development in the PRC
上海極富房地產開發有限公司	31 January 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
無錫天潤福源房地產開發有限公司	2 March 2011	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
梅縣富力房地產開發有限公司	1 July 2013	Limited liability company	RMB550,000,000	99.09%	0.91%	—	Property development in the PRC
杭州富力房地產開發有限公司	19 December 2012	Limited liability company	USD120,000,000	—	100%	—	Property development in the PRC
無錫極富房地產開發有限公司	16 December 2013	Limited liability company	USD300,000,000	—	100%	—	Property development in the PRC
福州市台江富力置業有限公司	11 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
包頭市富力房地產開發有限公司	18 October 2013	Limited liability company	RMB200,000,000	—	100%	—	Property development in the PRC
天津富潤房地產開發有限公司	23 October 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
南京富力城房地產開發有限公司	17 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
北京富力通達房地產開發有限公司	20 November 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC
富力(瀋陽)房地產開發有限公司	15 January 2014	Limited liability company	USD90,000,000	—	100%	—	Property development in the PRC
瀋陽億隆房屋開發有限公司	12 December 2001	Limited liability company	RMB20,000,000	—	100%	—	Property development in the PRC
上海眾弘置業發展有限公司	24 September 2013	Limited liability company	RMB100,000,000	—	100%	—	Property development in the PRC

10. SUBSIDIARIES (Continued)

Company name	Date of incorporation/ establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests		Equity interests held by non- controlling interests	Principal activities and place of operations
				Direct	Indirect		
Subsidiaries — incorporated in Hong Kong:							
R&F Properties (HK) Company Limited	25 August 2005	Limited liability company	HKD10,000	100%	—	—	Investment holding in Hong Kong
Subsidiaries — incorporated in British Virgin Islands (BVI):							
R&F Properties (BVI) Co., Ltd.	31 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Maxview Investments Limited	3 April 2006	Limited liability company	USD50,000	—	100%	—	Investment holding in BVI
General Light Investments Limited	5 July 2011	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Value Success Investments Limited	1 September 2006	Limited liability company	USD10,000	—	100%	—	Investment holding in BVI
Big Will Investments Limited	2 November 2007	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Caifu Holdings Limited	2 January 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	—	100%	—	Investment holding in BVI
Subsidiaries — incorporated in Malaysia:							
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	—	100%	—	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	—	100%	—	Property development in Malaysia
Subsidiaries — incorporated in Australia:							
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Estate Pty Ltd.	7 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	—	100%	—	Property development in Australia
R&F Development Holdings Pty Ltd	30 May 2014	Limited liability company	AUD1	—	100%	—	Investment holdings in Australia
Subsidiaries — incorporated in Singapore:							
R&F Development PTE LTD	17 April 2014	Limited liability company	SGD 1	—	100%	—	Marketing development in Singapore

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(All amounts in RMB Yuan thousands unless otherwise stated)

10. SUBSIDIARIES (Continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administering and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to receive variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The accumulated non-controlling interests as at 31 December 2015 were RMB527,895,000 (2014: RMB531,785,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

11. INTERESTS IN JOINT VENTURES

	2015	2014
At 1 January	4,617,519	4,258,931
Additions	—	220,560
Acquisition of additional equity interests in a joint venture (Note a)	(4,124)	(34,108)
Share of results	1,343,455	172,136
Elimination of unrealised profits	(2,219)	—
At 31 December	5,954,631	4,617,519

- (a) The Group acquired additional 20% equity interests in Shenzhen Yueying Investment Management Co., Ltd. ("Shenzhen Yueying") in 2015, making it a subsidiary of the Group.

11. INTERESTS IN JOINT VENTURES (Continued)

- (b) As at 31 December 2015, the Group's interests in joint ventures, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2015 was RMB1,343,455,000 (2014: RMB172,136,000). The joint ventures listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interests held at 31 December 2015	
		Direct	Indirect
廣州市富景房地產開發有限公司 (“廣州富景”)	the PRC	33.34%	—
天津津南新城房地產開發有限公司 (“津南新城”)	the PRC	—	25%
天津和安房地產開發有限公司	the PRC	—	25%
Hines Shanghai New Jiangwan Development Co., Ltd. (“Hines Shanghai”)	Cayman Islands	—	50%
上海城投悅城置業有限公司 (“上海悅城”)	the PRC	—	50%
廣州市森華房地產有限公司 (“森華房地產”)	the PRC	50%	—
貴州大西南房地產開發有限公司 (“貴州大西南”)	the PRC	60%	—
廣州市騰順投資有限公司 (“騰順投資”)	the PRC	30%	—
廣西富雅投資有限公司 (“廣西富雅”)	the PRC	50%	—
和榮有限公司 (“和榮”)	BVI	—	25%
Charm Talent Limited (“Charm Talent”)	Hong Kong	—	25%

- (c) Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.
- (d) There are no contingent liabilities relating to the Group's interest in the joint ventures.

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(All amounts in RMB Yuan thousands unless otherwise stated)

12. INTERESTS IN ASSOCIATES

	2015	2014
At 1 January	86,213	122,600
Share of results	(9,146)	(30,772)
Dividends received from an associate	(6,015)	(5,615)
At 31 December	71,052	86,213

- (a) As at 31 December 2015, the Group's interests in associates, which are not individually material to the Group in the opinion of the directors, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive income of these associates for the year ended 31 December 2015 was RMB18,893,000 (2014: RMB30,772,000). The associates listed below have share capital consisting solely of registered capital.

Name of entity	Place of business/country of incorporation	% of ownership interest held at 31 December 2015	
		Direct	Indirect
北京富盛利房地產經紀有限公司	the PRC	—	30%
廣州利合房地產開發有限公司 (“廣州利合”)	the PRC	20%	—
北京粵商投資股份有限公司	the PRC	—	22%
廣州盛安創富投資管理有限公司 (“盛安創富”)	the PRC	20%	—
河南建業富居投資有限公司 (“河南建業”)	the PRC	45%	—

- (b) There are no contingent liabilities relating to the Group's interest in the associates.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
At 1 January	535,477	281,400
Additional capital injection to an existing equity investment	101,032	22,500
Acquisition of additional equity interests in an unlisted private fund	(14,700)	—
Fair value gains recognised as other comprehensive income	23,331	231,577
At 31 December	645,140	535,477

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	2015	2014
Unlisted securities:		
— Unlisted equity investments	564,590	445,777
— Unlisted private funds	80,550	89,700
	645,140	535,477

Available-for-sale financial assets as at 31 December 2015 and 2014 are denominated in RMB.

The fair values of unlisted securities are based on the market approach by reference to quoted prices of similar instruments. The fair values are within level 3 of the fair value hierarchy.

The maximum exposure to credit risk at the reporting date is the carrying amounts of available-for-sale financial assets. None of these financial assets is either past due or impaired (2014: Nil).

14. FINANCIAL INSTRUMENTS BY CATEGORY

	2015	2014
Loans and receivables		
Trade and other receivables excluding prepayments	15,035,051	13,289,732
Cash and cash equivalents	13,970,313	13,490,425
Restricted cash	6,814,094	6,339,497
Time deposits	500,000	—
	36,319,458	33,119,654
Available-for-sale financial assets	645,140	535,477
	36,964,598	33,655,131
	2015	2014
Other financial liabilities at amortised cost		
Borrowings(excluding finance lease liabilities)	82,378,121	67,553,338
Finance lease liabilities	60,519	105,332
Trade and other payables excluding non-financial liabilities	6,958,491	6,278,137
	89,397,131	73,936,807

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(All amounts in RMB Yuan thousands unless otherwise stated)

15. PROPERTIES UNDER DEVELOPMENT

	2015	2014
Amount comprises:		
Land use rights	51,869,625	57,514,275
Construction costs and capitalised expenditures	19,491,883	18,458,654
Financed costs capitalised	7,310,418	5,354,762
	78,671,926	81,327,691

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation is 7.05% for 2015(2014: 7.96%).

As at 31 December 2015, properties under development of RMB29,687,144,000 (2014: RMB20,461,480,000) were pledged as collateral for the Group's borrowings.

16. COMPLETED PROPERTIES HELD FOR SALE

	2015	2014
Amount comprises:		
Land use rights	6,335,094	4,620,807
Construction costs and capitalised expenditures	14,380,159	11,675,575
Finance costs capitalised	1,712,735	925,734
	22,427,988	17,222,116

As at 31 December 2015, completed properties held for sale of RMB1,472,747,000 (2014: RMB1,325,493,000) were pledged as collateral for the Group's borrowings.

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
Trade receivables — net (Note (a))	4,864,843	4,823,718
Other receivables — net (Note (b))	5,884,946	4,717,407
Prepayments (Note (d))	2,587,669	1,373,880
Due from joint ventures	1,737,889	1,709,230
Due from associates	2,547,373	2,039,377
Total	17,622,720	14,663,612
Less: non-current portion	(4,046,552)	(3,772,884)
Current portion	13,576,168	10,890,728

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

	2015	2014
Trade receivables — current portion	4,885,021	4,688,168
Less: allowance for impairment	(20,178)	(1,818)
	4,864,843	4,686,350
Trade receivables — non-current portion	—	137,368
	4,864,843	4,823,718

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2015	2014
0 to 90 days	2,879,142	2,981,140
91 to 180 days	346,186	272,507
181 to 365 days	515,746	990,974
1 year to 2 years	877,741	245,487
Over 2 years	266,206	335,428
	4,885,021	4,825,536

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(All amounts in RMB Yuan thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Trade receivables are analysed as follows:

	2015	2014
Fully performing under credit terms	3,982,775	4,681,816
Past due but not impaired	882,068	141,902
Non-performing and impaired	20,178	1,818
Trade receivables	4,885,021	4,825,536
Less: allowance for impairment	(20,178)	(1,818)
Trade receivables — net	4,864,843	4,823,718

As at 31 December 2015, trade receivables of RMB20,178,000 (2014: RMB1,818,000) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2015	2014
1 year to 2 years	2,954	—
Over 2 years	17,224	1,818
	20,178	1,818

For past due but not impaired receivables, the Group has the right to cancel the sale contracts and take over the legal title of the underlying properties for re-sale. Therefore, the directors consider that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2015 (2014: Nil). The ageing analysis of these trade receivables is as follows:

	2015	2014
1 year to 2 years	717,242	—
Over 2 years	164,826	141,902
	882,068	141,902

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables (Continued)

Movements on the allowance for impairment of trade receivables are as follows:

	2015	2014
At 1 January	1,818	1,818
Provision for receivables impairment	18,365	—
Reversal of allowance for doubtful debts	(5)	—
At 31 December	20,178	1,818

(b) Other receivables

Other receivables are analysed as below:

	2015	2014
Fully performing under normal business	5,884,946	4,717,407
Non-performing and impaired	62,813	52,181
Other receivables	5,947,759	4,769,588
Less: allowance for impairment	(62,813)	(52,181)
Other receivables — net	5,884,946	4,717,407

Movements on the allowance for impairment of other receivables are as follows:

	2015	2014
At 1 January	52,181	42,490
Allowance for doubtful debts	10,632	9,691
At 31 December	62,813	52,181

- (c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.
- (d) Prepayments are mainly for acquisitions of land use rights and purchases of construction materials.

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17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

- (e) The carrying amounts of the Group's trade and other receivables, including amounts due from joint ventures and associates, are denominated in the following currencies:

	2015	2014
RMB	15,026,694	13,276,264
AUD	7,652	7
MYR	592	13,318
SGD	113	143
	15,035,051	13,289,732

18. RESTRICTED CASH

	2015	2014
Guarantee deposits for construction of pre-sold properties (Note (a))	4,663,642	5,185,277
Guarantee deposits for resettlement costs (Note (b))	45,585	116,982
Guarantee deposits for construction payables (Note (c))	35,996	60,115
Guarantee deposits for borrowings (Note (d))	970,239	162,873
Guarantee deposits for mortgage loans provided to customers (Note (e))	19,583	25,816
Guarantee deposits for interest of senior notes (Note (f))	583,515	549,831
Others (Note (g))	495,534	238,603
	6,814,094	6,339,497

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the resettlement costs payable to the owners or residents of the existing buildings being demolished for development. The deposits can only be used for such resettlement costs according to the payment schedule.
- (c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

18. RESTRICTED CASH (Continued)

- (e) According to the relevant contracts, certain property development companies of the Group are required to place at designated bank accounts certain cash deposits as collateral for mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the mortgage loans.
- (f) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.
- (g) Others mainly include guarantee deposits for letters of credit and salary payments for construction workers.

The restricted cash is denominated in the following currencies:

	2015	2014
RMB	6,183,727	5,789,656
USD	623,913	549,841
MYR	1,962	—
AUD	4,492	—
	6,814,094	6,339,497

The directors of the Group are of the view that the restricted cash listed above will be released within one year.

19. TIME DEPOSITS

As at 31 December 2015, the initial terms of the Group's time deposits were six months. These time deposits are denominated in RMB.

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20. CASH AND CASH EQUIVALENTS

	2015	2014
Cash at bank and on hand	13,682,440	13,490,425
Short-term bank deposits	287,873	—
	13,970,313	13,490,425
	2015	2014
Denominated in:		
— RMB	13,878,291	13,065,930
— USD	7,451	347,094
— MYR	26,092	41,033
— HKD	46,142	26,698
— AUD	11,918	9,393
— SGD	419	277
	13,970,313	13,490,425

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

21. SHARE CAPITAL

	Number of shares (thousands)	Share capital
At 31 December 2015 and 2014		
— domestic shares	2,207,109	551,777
— H shares*	1,015,258	253,815
	3,222,367	805,592

* H shares refer to the Company's shares listed on The Main Board of Stock Exchange of Hong Kong Limited. The share premium related to H shares is shown in Note 22.

As at 31 December 2015 and 2014, the registered, issued and fully paid capital of the Company was RMB805,592,000 divided into 3,222,367,000 shares, comprising 2,207,109,000 domestic shares and 1,015,258,000 H shares.

22. OTHER RESERVES

	Share premium	Available-for- sale financial assets	Statutory reserves	Translation reserves	Others	Total
Balance at 1 January 2014	3,636,625	168,484	539,144	—	—	4,344,253
Fair value gains of available-for-sale financial assets, net of tax	—	173,683	—	—	—	173,683
Currency translation differences	—	—	—	5,810	—	5,810
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	15,076	15,076
Balance at 31 December 2014	3,636,625	342,167	539,144	5,810	15,076	4,538,822
Balance at 1 January 2015	3,636,625	342,167	539,144	5,810	15,076	4,538,822
Fair value gains of available-for-sale financial assets, net of tax	—	17,498	—	—	—	17,498
Currency translation differences	—	—	—	23,969	—	23,969
Gains on disposals of shares held for Share Award Scheme	—	—	—	—	12,862	12,862
Changes in ownership interests in subsidiaries without change of control	—	—	—	—	(2,203)	(2,203)
Balance at 31 December 2015	3,636,625	359,665	539,144	29,779	25,735	4,590,948

- (a) According to the rules and regulations applicable to the Group's subsidiaries in the PRC, when distributing net profit of each year, these subsidiaries are required to transfer an amount of their net profits as reported in their statutory accounts for the statutory reserve funds until the accumulated balance of such funds reaches 50% of their registered capital.
- (b) Depending on the nature, the statutory reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to the owners in form of bonus issue.
- (c) Share premium arising from the issue of H shares can be utilised for increasing paid-in capital as approved by the directors.

23. SHARES HELD FOR SHARE AWARD SCHEME

	2015	2014
Balance at 1 January	128,711	172,563
Disposals of shares	(39,764)	(43,852)
Balance at 31 December	88,947	128,711

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(All amounts in RMB Yuan thousands unless otherwise stated)

23. SHARES HELD FOR SHARE AWARD SCHEME (Continued)

On 23 August 2011, a Share Award Scheme (the “Scheme”) was approved and adopted by the Board of Directors of the Company. The Scheme was terminated on 25 November 2013. No shares were awarded to eligible employees upon or prior to the termination of the Scheme.

As at 31 December 2015, 14,768,000 H shares (31 December 2014: 21,370,000 H shares) held by the Group were recorded as ‘Shares held for Share Award Scheme’ within a component of equity.

24. PERPETUAL CAPITAL INSTRUMENTS

	2015	2014
At 1 January	15,648,416	1,000,000
Additions	—	14,543,912
Redemptions	(7,643,912)	—
Profit attributable to holders of perpetual capital instruments	1,105,249	1,331,328
Distributions to holders of perpetual capital instruments	(1,131,884)	(1,226,824)
At 31 December	7,977,869	15,648,416

The Perpetual Capital Instruments are jointly guaranteed by the Company and certain subsidiaries and secured by pledges of the shares of the subsidiaries. There is no maturity date and the distribution payments can be deferred at the discretion of the Group. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded in equity in the consolidated balance sheet.

25. ACCRUALS AND OTHER PAYABLES

	2015	2014
Amounts due to joint ventures (Notes (a))	2,032,153	1,801,864
Advance from a joint venture	13,720	—
Construction payables (Note (b))	9,144,332	10,498,573
Other payables and accrued charges (Note (c))	7,537,707	7,141,741
Total	18,727,912	19,442,178
Less: non-current portion	—	(171,222)
Current portion	18,727,912	19,270,956

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

26. BORROWINGS

	2015	2014
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
— Secured	31,422,069	28,833,786
— Unsecured	6,177,530	5,327,900
	37,599,599	34,161,686
Corporate bonds (Note (b))		
— Unsecured	6,429,519	—
Senior notes (Note (c))		
— Secured	12,776,880	11,987,708
Other borrowings (Note (d))		
— Secured	19,010,527	16,268,944
— Unsecured	900,000	2,050,000
	19,910,527	18,318,944
Finance lease liabilities (Note (e))		
— Secured	60,519	105,332
Less: current portion of long-term borrowings	(27,017,646)	(19,020,068)
	49,759,398	45,553,602
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
— Secured	37,500	—
— Unsecured	1,284,096	377,000
	1,321,596	377,000
Other borrowings (Note (d))		
— Secured	2,740,000	—
— Unsecured	1,600,000	2,708,000
	4,340,000	2,708,000
	5,661,596	3,085,000
Current portion of long-term borrowings	27,017,646	19,020,068
Total borrowings	82,438,640	67,658,670

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(a) Bank borrowings

Interest rates on bank borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2015	2014
At 1 January	34,538,686	31,136,167
Additions	17,858,426	16,612,827
Acquisition of a subsidiary	—	1,921,400
Repayments	(13,475,917)	(15,185,655)
Amortisation of transaction costs	—	53,947
At 31 December	38,921,195	34,538,686

(ii) The maturity of bank borrowings is as follows:

	2015	2014
Within one year	12,141,186	7,343,431
Between one and two years	9,711,608	11,382,610
Between two and five years	9,736,520	11,536,448
Over five years	7,331,881	4,276,197
Total bank borrowings	38,921,195	34,538,686

(iii) The carrying amounts of bank borrowings as at 31 December 2015 and 2014 are denominated in RMB.

(iv) The effective interest rates of borrowings are as follows:

	2015	2014
RMB bank borrowings	6.52%	6.76%

(v) The carrying amounts of bank borrowings approximate their fair values.

26. BORROWINGS (Continued)

(b) Corporate bonds

The Company issued 65,000,000 bonds at a par value of RMB6.5 billion in the PRC on 13 July 2015. The corporate bonds were listed on the Shanghai Stock Exchange on 25 August 2015. The net proceeds of the corporate bonds, after deducting the transaction costs, amounted to RMB6,423,000,000.

The interest rate of the corporate bonds is fixed at 4.95% per annum. On the third anniversary of the issue date, the Company has an option to increase the interest rate by up to 100 basic points for the remaining periods. The corporate bonds will mature after five years from the issue date, and are puttable for early redemption at the principal amount upon the third anniversary of the issue date.

The fair value of corporate bonds as at 31 December 2015 amounted to RMB6,695,000,000 (31 December 2014: Nil). The fair value is determined by reference to the price quotations published on 31 December 2015 and are within level 1 of the fair value hierarchy.

The movements of corporate bonds are set out below:

	2015	2014
At 1 January	—	5,498,933
Additions	6,423,000	—
Interest charged	157,724	318,899
Interest included in other payables	(151,205)	(317,832)
Redemption	—	(5,500,000)
At 31 December	6,429,519	—

(c) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at any time before the maturity date.

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26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited (“Caifu”) issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the “Original Notes”).

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the “Additional Notes” and, together with the Original Notes, the “2013 Notes”).

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited (“Trillion Chance”) issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the “2014 Notes”). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2014: 7.70% to 12.25%).

26. BORROWINGS (Continued)

(c) Senior notes (Continued)

(iv) 2014 Notes (Continued)

The movements of senior notes are set out below:

	2015	2014
At 1 January	11,987,708	8,521,961
Issuance of the 2014 Notes	—	5,991,541
Redemption of the 2011 Notes	—	(2,612,000)
Interest charged	1,178,648	1,198,121
Interest included in other payables	(1,131,935)	(1,151,817)
Exchange losses	742,459	39,902
At 31 December	12,776,880	11,987,708

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2015 amounted to RMB13,252,554,000 (31 December 2014: RMB11,704,025,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2015 and is within level 1 of the fair value hierarchy.

(d) Other borrowings

Certain subsidiaries of the Group (the "Project Companies") have entered into funding arrangements with certain financial institutions (the "Trustees"), under which the Trustees have raised funds from third parties and injected the funds to the Project Companies.

One of the Trustees is managed by 盛安創富, which is an associate of the Company and certain directors of the Company are also the minority shareholders.

The effective interest rate of these funding arrangements ranged from 6.09% to 17.24% (2014: 7.07% to 12.33%).

The movements of other borrowings are set out below:

	2015	2014
At 1 January	21,026,944	16,143,577
Additions	21,769,000	6,346,000
Repayments	(18,555,960)	(1,509,779)
Interest charged	2,097,085	1,955,715
Interest included in other payables	(2,086,542)	(1,908,569)
At 31 December	24,250,527	21,026,944

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(All amounts in RMB Yuan thousands unless otherwise stated)

26. BORROWINGS (Continued)

(d) Other borrowings (Continued)

The maturity of other borrowings is as follows.

	2015	2014
Within one year	7,713,000	14,715,959
Between one and two years	9,661,527	3,968,000
Between two and five years	6,876,000	2,342,985
Total other borrowings	24,250,527	21,026,944

The carrying amounts of other borrowings as at 31 December 2015 and 2014 are denominated in RMB.

The carrying amounts of other borrowings approximate their fair values.

(e) Finance lease liabilities

In April 2012, a subsidiary of the Company (the "Lessee") entered into an aircraft rental agreement with an independent third party under a financial lease (the "Arrangement"). Under the Arrangement, the Lessee leased an aircraft for an agreed term of five years commencing 15 April 2012. At the maturity date of the lease, the Lessee has an option to purchase the aircraft for a consideration of RMB94,830,000.

	2015	2014
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	50,222	50,222
Later than 1 year and no later than 5 years	12,557	62,779
	62,779	113,001
Future finance charges on finance leases	(2,260)	(7,669)
Present value of finance lease liabilities	60,519	105,332
The present value of finance lease liabilities is as follows:		
No later than 1 year	48,176	45,677
Later than 1 year and no later than 5 years	12,343	59,655
	60,519	105,332

26. BORROWINGS (Continued)

- (f) As at 31 December 2015, bank and other borrowings totaling RMB53,210,096,000 (2014: RMB45,102,730,000) were secured by the following:

	2015	2014
Land use rights	804,637	581,083
Property, plant and equipment	4,329,669	4,309,544
Investment properties	11,686,175	6,853,499
Properties under development	29,687,144	20,461,480
Completed properties held for sale	1,472,747	1,325,493
Restricted cash	817,000	—
Equity interests in subsidiaries	3,059,000	2,859,000
	51,856,372	36,390,099

The majority of unsecured bank borrowings and other borrowings are supported by guarantees issued by the Company or certain subsidiaries of the Group. Details are as follows:

	2015	2014
Guarantors		
The Company	6,641,200	6,254,900
Subsidiaries	1,561,096	1,214,000
	8,202,296	7,468,900

27. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets:		
— To be recovered after 12 months	2,917,625	2,030,293
— To be recovered within 12 months	377,561	897,471
	3,295,186	2,927,764
Deferred tax liabilities:		
— To be recovered after 12 months	(3,415,642)	(2,687,843)
— To be recovered within 12 months	(520,305)	(591,065)
	(3,935,947)	(3,278,908)
Deferred tax liabilities — net	(640,761)	(351,144)

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(All amounts in RMB Yuan thousands unless otherwise stated)

27. DEFERRED INCOME TAX (Continued)

The gross movements on the deferred income tax account are as follows:

	2015	2014
At 1 January	(351,144)	(371,814)
Income statement (charges)/credits	(281,267)	78,564
Tax charges relating to components of other comprehensive income	(5,833)	(57,894)
Currency translation differences	(2,517)	—
At 31 December	(640,761)	(351,144)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Revaluation gains arising from business combinations	Revaluation of available- for-sale financial assets	Interest capitalisation and others	Total
At 1 January 2014	668,870	2,748,569	101,242	37,728	33,293	3,589,702
(Credited)/charged to the income statement	(77,805)	412,613	(754)	—	216,397	550,451
Charged to other comprehensive income	—	—	—	57,894	—	57,894
At 31 December 2014	591,065	3,161,182	100,488	95,622	249,690	4,198,047
(Credited)/charged to the income statement	(70,760)	250,954	(1,009)	—	205,790	384,975
Charged to other comprehensive income	—	—	—	5,833	—	5,833
At 31 December 2015	520,305	3,412,136	99,479	101,455	455,480	4,588,855

27. DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Accruals	Tax losses	Unrealised profit on intra-group transactions	Others	Total
At 1 January 2014	2,548,327	392,639	222,302	54,620	3,217,888
Credited to the income statement	161,404	323,841	140,463	3,307	629,015
At 31 December 2014	2,709,731	716,480	362,765	57,927	3,846,903
(Charged)/credited to the income statement	(237,363)	288,716	69,285	(16,930)	103,708
Currency translation differences	—	(2,517)	—	—	(2,517)
At 31 December 2015	2,472,368	1,002,679	432,050	40,997	3,948,094

As at 31 December 2015, deferred income tax assets of RMB652,908,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2014: RMB919,139,000).

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

28. CURRENT INCOME TAX LIABILITIES

	2015	2014
Land appreciation tax liabilities	8,663,294	7,576,877
Income tax liabilities	2,342,090	2,512,353
	11,005,384	10,089,230

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29. OTHER INCOME AND OTHER GAINS — NET

	2015	2014
Fair value gains on investment properties — net	1,105,652	1,638,174
Other operating income	133,713	105,206
Interest income	143,043	211,760
Dividends received on available-for-sale financial assets	4,332	—
(Losses)/gains on disposals of investment properties	(12,528)	3,394
Gains on disposals of property, plant and equipment	7,126	14,859
Gains on disposals of intangible assets	79,784	—
Others	56,970	56,911
	1,518,092	2,030,304

30. EXPENSES BY NATURE

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2015	2014
Cost of completed properties sold	27,085,715	19,997,339
Business taxes and other levies	2,686,859	2,094,171
Employee benefit expenses	1,426,117	1,172,432
Depreciation	369,273	388,178
Advertising costs	143,725	269,457
Amortisation of land use rights and intangible assets	84,236	84,525
Office expenses	154,245	194,644
Operating lease payments	16,427	14,320
Allowance for doubtful debts	28,992	9,691
Auditors' remuneration	9,710	10,246
— Audit services	6,783	6,109
— Non-audit services	2,927	4,137
Others	1,384,783	1,272,988
	33,390,082	25,507,991

31. EMPLOYEE BENEFIT EXPENSES

	2015	2014
Wages and salaries	1,103,464	903,614
Retirement scheme contributions	247,094	202,663
Other allowances and benefits	75,559	66,155
	1,426,117	1,172,432

31. EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director (2014: Nil) whose emoluments are reflected in the analysis shown in Note 44. The emoluments payable to the five (2014: five) individuals during the year are as follows:

	2015	2014
Wages and salaries, housing allowances, other allowances and benefits in kind	65,275	60,756

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
HKD10,000,001 to HKD10,500,000	—	1
HKD10,500,001 to HKD11,000,000	—	1
HKD13,500,001 to HKD14,000,000	—	1
HKD14,500,001 to HKD15,000,000	1	—
HKD15,000,001 to HKD15,500,000	2	—
HKD16,000,001 to HKD16,500,000	1	—
HKD19,500,001 to HKD20,000,000	1	1
HKD22,000,001 to HKD22,500,000	—	1

32. FINANCE COSTS

	2015	2014
Interest expenses:		
— bank borrowings	2,580,355	2,319,584
— corporate bonds	157,724	318,899
— senior notes	1,178,648	1,198,121
— other borrowings	2,097,085	1,955,715
— finance lease liabilities	5,409	8,366
	6,019,221	5,800,685
Net foreign exchange losses	1,210,521	301,545
Less: finance costs capitalised	(5,075,747)	(4,886,309)
	2,153,995	1,215,921

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33. INCOME TAX EXPENSES

	2015	2014
Current income tax		
— PRC enterprise income tax (Note (b))	2,062,492	2,446,005
Deferred income tax	281,267	(78,564)
	2,343,759	2,367,441
Current PRC land appreciation tax (Note (c))	2,533,470	1,282,556
Total income tax expenses (Note (d))	4,877,229	3,649,997

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2014: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

In respect of the applicable income tax rates for the year ended 31 December 2015, except for certain companies in the Group which were taxed at 2%-3% (2014: 2%-3%) on their revenue, other businesses within the Group were primarily taxed at 25% (2014: 25%) on their profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

33. INCOME TAX EXPENSES (Continued)

- (d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2015	2014
Profit before income tax	11,589,501	10,156,386
Less: land appreciation tax	(2,533,470)	(1,282,556)
	9,056,031	8,873,830
Calculated at tax rate of 25% (2014: 25%)	2,264,008	2,218,458
Effects of:		
— Different income tax rates of certain companies	(8,902)	(2,399)
— Share of results of joint ventures and associates	(331,141)	(36,146)
— Expenses and development costs not deductible for tax purposes	516,683	282,469
— Others	(96,889)	(94,941)
PRC enterprise income tax	2,343,759	2,367,441
Land appreciation tax	2,533,470	1,282,556
Tax charge	4,877,229	3,649,997

- (e) The tax charges relating to components of other comprehensive income are as follows:

	2015			2014		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of available-for-sale financial assets	23,331	(5,833)	17,498	231,577	(57,894)	173,683

34. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2015	2014
Profit attributable to owners of the Company	5,615,795	5,220,603
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	3,204,546	3,198,005
Earnings per share (RMB per share)	1.7524	1.6325

There were no dilutive potential ordinary shares as at 31 December 2015 and 2014.

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35. DIVIDENDS

The dividends declared in 2015 were RMB966,710,000 (2014: Nil). A dividend in respect of the year ended 31 December 2015 of RMB0.90 per share, amounting to a total dividend of RMB2,900,130,000, is to be proposed at the annual general meeting on 27 May 2016. These financial statements do not reflect this dividend payable.

	2015	2014
Interim dividend declared of RMB0.30 (2014: Nil) per ordinary share	966,710	—
Less: Dividends for shares held for Share Award Scheme	(5,280)	—
	961,430	—
Proposed final dividend of RMB0.90 (2014: Nil) per ordinary share	2,900,130	—
Less: Dividends for shares held for Share Award Scheme	(13,291)	—
	2,886,839	—
	3,848,269	—

36. CASH GENERATED FROM OPERATIONS

	2015	2014
Profit for the year	6,712,272	6,506,389
Adjustments for:		
— Capitalised finance costs in cost of sales	2,101,856	1,540,403
— Tax	4,877,229	3,649,997
— Interest income	(143,043)	(211,760)
— Finance costs	2,153,995	1,215,921
— Depreciation	369,273	388,178
— Amortisation of land use rights and intangible assets	84,236	84,525
— Gains on disposals of property, plant and equipment	(7,126)	(14,859)
— Losses/(gains) on disposals of investment properties	12,528	(3,394)
— Gains on disposals of intangible assets	(79,784)	—
— Goodwill disposed for sale of properties, charged to cost of sales	—	3,269
— Allowance for doubtful debts	28,992	9,691
— Share of results of joint ventures	(1,343,455)	(169,789)
— Share of results of associates	18,451	25,205
— Fair value gains on investment properties — net	(1,105,652)	(1,638,174)
— Dividend income from available-for-sale financial assets	(4,332)	—
— Elimination of unrealised profits	2,218	—
Operating profit before changes in working capital	13,677,658	11,385,602
Changes in working capital:		
— Properties under development and completed properties held for sale	(211,460)	(28,408,651)
— Trade receivables	(85,001)	(185,167)
— Other receivables, deposits and prepayments	(2,456,372)	409,273
— Restricted cash	250,549	(1,712,284)
— Deposits received on sale of properties	(818,057)	5,447,833
— Accruals and other payables	(830,912)	822,078
— Business tax payables	46,168	(165,834)
Net cash and cash equivalents generated from/(used in) operations	9,572,573	(12,407,150)

37. FINANCIAL GUARANTEE CONTRACTS

The face values of the financial guarantees issued by the Group as at 31 December 2015 are analysed as follows:

	2015	2014
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	23,530,047	18,438,122
Guarantees in respect of borrowings of joint ventures and associates (Notes (b))	3,453,045	4,479,899
	26,983,092	22,918,021

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for joint ventures and associates for their borrowings.

38. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
Contracted but not provided for:		
— Properties development activities	10,506,112	10,950,031
— Acquisition of land use rights	12,676,645	16,341,242
	23,182,757	27,291,273

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

38. COMMITMENTS (Continued)

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	2015	2014
No later than one year	33,040	34,449
Later than one year and no later than five years	41,454	55,825
Later than five years	53,538	56,901
	128,032	147,175

39. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 15 October 2015, the Company acquired an additional 10% of the issued capital of certain Australian subsidiaries for an aggregate purchase consideration of AUD70. Upon completion of the acquisition, the Group wholly owned these Australian subsidiaries and recognised a decrease in equity attributable to owners of the company of RMB2,203,000.

40. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2015	2014
No later than one year	760,029	750,879
Later than one year and no later than five years	1,333,712	1,339,177
Later than five years	693,387	826,835
	2,787,128	2,916,891

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS

The major shareholders of the Group include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.52% and 32.02%, respectively, of the Company's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of restaurant services

	2015	2014
Common shareholders: 惠州市金鵝溫泉實業有限公司 ("惠州金鵝")	2,925	—

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

ii) Provision of lease of properties

	2015	2014
Common shareholders:		
廣州金貝殼投資有限公司 (“廣州金貝殼”)	1,499	1,333
A joint venture:		
廣州富景	70	87

iii) Drinking water system charges

	2015	2014
Common shareholders:		
廣州越富環保科技有限公司	48	1,065

iv) Key management compensation

	2015	2014
Salaries and welfare benefits	42,975	34,073

v) Provision of property management services

	2015	2014
Joint ventures:		
津南新城	5,099	6,301
廣州富景	3,650	—
	8,749	6,301
Common shareholders:		
廣州金貝殼	222	—
	8,971	6,301

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

vi) Provision of decoration services

	2015	2014
Joint ventures:		
廣州富景	49,203	52,607
貴州大西南	24,280	6,000
	73,483	58,607

vii) Provision of construction services

	2015	2014
Joint ventures:		
廣州富景	110,569	42,955
津南新城	5,549	8,243
森華房地產	1,343	—
	117,461	51,198

viii) Purchase of installation services

	2015	2014
Controlled by an immediate family member of the major shareholder:		
廣州鉅融機電工程有限公司 (formerly named 廣州恒量機電工程有限公司)	6,429	11,109

ix) Provision of design services

	2015	2014
Joint ventures:		
津南新城	9,366	2,789
廣州富景	2,615	2,328
廣西富雅	712	2,337
貴州大西南	—	943
	12,693	8,397

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

x) Provision of supervision services

	2015	2014
A joint venture:		
森華房地產	412	—

xi) Provision of guarantees for borrowings

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint ventures and associates for project development purposes. As at 31 December 2015, the Group's guarantees for borrowings provided to its joint ventures and associates are shown as follows:

(a) Bank borrowings

	2015	2014
Joint ventures:		
Charm Talent	424,136	528,261
森華房地產	199,600	250,000
津南新城	128,558	206,085
貴州大西南	120,000	—
廣州富景	—	76,360
	872,294	1,060,706
An associate:		
廣州利合	471,900	503,980
	1,344,194	1,564,686

(b) Other borrowings

	2015	2014
A joint venture:		
上海悅城	300,000	600,000
Associates:		
廣州利合	1,310,000	1,730,000
河南建業	225,000	—
	1,535,000	1,730,000
	1,835,000	2,330,000

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties

As at 31 December 2015, the Group had the following significant balances with related parties:

	2015	2014
Due from:		
Joint ventures		
— Non-trade balances		
津南新城(Note (a))	1,173,176	1,133,176
貴州大西南(Note (b))	241,234	141,480
Hines Shanghai	170,330	155,346
騰順投資	153,146	118,205
廣西富雅	3	—
森華房地產	—	126,845
和榮	—	34,178
	1,737,889	1,709,230
Associates		
— Non-trade balances		
廣州利合(Note (b))	2,439,377	2,039,377
河南建業	107,996	—
	2,547,373	2,039,377
	4,285,262	3,748,607
Due to:		
Joint ventures		
— Non-trade balances		
上海悅城	1,119,637	934,000
廣州富景	442,062	442,062
森華房地產	239,000	—
和榮	231,454	425,802
	2,032,153	1,801,864
Advance from:		
A joint venture		
貴州大西南	13,720	—
Prepayment for acquisition of 惠州金鵝:		
Mr. Li Sze Lim and Mr. Zhang Li	434,000	—

41. SIGNIFICANT RELATED-PARTY TRANSACTIONS (Continued)

xii) Balances with related parties (Continued)

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled according to contract terms. No provisions are held against receivables from related parties (2014:Nil).

- (a) It represents repayment of borrowings and construction costs paid by the Group on behalf of the joint venture.
- (b) It represents payments for purchases of land use rights and construction costs paid by the Group on behalf of the joint ventures and an associate.

42. EVENTS AFTER THE REPORTING PERIOD

(a) Business combination

On 5 February 2016, the Group completed an acquisition of 100% equity interests in 惠州金鵝 from Mr. Li Sze Lim and Mr. Zhang Li at a consideration of RMB530,000,000.

(b) Borrowings

On 13 January 2016 and 26 January 2016, the Company issued 60,000,000 and 36,000,000 domestic corporate bonds with aggregate principal amounts of RMB6.0 billion and RMB3.6 billion respectively in the PRC (the "Bonds"). The Bonds will mature after five years from the date of issue.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at 31 December	
	2015	2014
ASSETS		
Non-current assets		
Land use rights	118,816	94,930
Property, plant and equipment	1,418,961	1,049,989
Investment properties	140,323	137,220
Intangible assets	53,803	41,874
Investments in subsidiaries	19,311,654	18,412,679
Interests in joint ventures	1,130,899	1,133,400
Interests in associates	138,466	138,466
Deferred income tax assets	71,231	89,347
Available-for-sale financial assets	564,590	460,477
Trade and other receivables and prepayments	3,199,382	2,534,373
	26,148,125	24,092,755
Current assets		
Properties under development	2,266,686	5,203,901
Completed properties held for sale	3,004,699	1,525,644
Trade and other receivables and prepayments	14,147,205	7,873,093
Tax prepayments	85,515	154,447
Restricted cash	919,792	898,319
Cash and cash equivalents	1,365,762	597,861
	21,789,659	16,253,265
Total assets	47,937,784	40,346,020
EQUITY		
Equity attributable to owners of the Company		
Share capital	805,592	805,592
Other reserves	Note (a) 4,559,210	4,533,012
Shares held for Share Award Scheme	(88,947)	(128,711)
Retained earnings	Note (a) 3,677,092	3,688,938
Total equity	8,952,947	8,898,831
LIABILITIES		
Non-current liabilities		
Long-term borrowings	12,709,019	5,963,300
Accruals and other payables	—	171,222
	12,709,019	6,134,522
Current liabilities		
Accruals and other payables	20,824,009	20,919,481
Deposits received on sale of properties	1,014,121	1,603,608
Current income tax liabilities	1,114,888	895,808
Current portion of long-term borrowings	3,322,800	1,893,770
	26,275,818	25,312,667
Total liabilities	38,984,837	31,447,189
Total equity and liabilities	47,937,784	40,346,020

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Balance sheet of the Company (Continued)

The balance sheet of the Company was approved by the Board of Directors on 11 March 2016 and was signed on its behalf.

Li Sze Lim
 Director

Zhang Li
 Director

(a) *Reserve movement of the Company*

	Retained earnings	Other reserves
At 1 January 2014	2,846,977	4,344,253
Profit for the year	2,442,460	—
Fair value gains on available-for-sale financial assets, net of tax	—	173,683
Disposals of shares held for Share Award Scheme	—	15,076
Dividends for the year	(1,600,499)	—
At 31 December 2014	3,688,938	4,533,012
At 1 January 2015	3,688,938	4,533,012
Profit for the year	949,584	—
Fair value gains on available-for-sale financial assets, net of tax	—	13,336
Disposals of shares held for Share Award Scheme	—	12,862
Dividends for the year	(961,430)	—
At 31 December 2015	3,677,092	4,559,210

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2015:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,600	236	3,836
Mr. Lu Jing	3,105	274	3,379
Non-executive Directors			
Ms. Zhang Lin	377	—	377
Ms. Li Helen	377	—	377
Independent non-executive Directors			
Mr. Huang Kaiwen (retired on 30 May 2015)	149	—	149
Mr. Ng Yau Wah Daniel (appointed on 30 May 2015)	175	—	175
Mr. Lai Ming Joseph	299	—	299
Mr. Zheng Ercheng	299	—	299

For the year ended 31 December 2014:

Name of Director	Salary	Other benefits (Note (ii))	Total
Executive Directors			
Mr. Li Sze Lim	2,660	676	3,336
Mr. Zhang Li (Note (i))	2,660	676	3,336
Mr. Zhou Yaonan	3,525	236	3,761
Mr. Lu Jing	3,105	274	3,379
Non-executive Directors			
Ms. Zhang Lin	371	—	371
Ms. Li Helen	371	—	371
Independent non-executive Directors			
Mr. Huang Kaiwen	360	—	360
Mr. Dai Feng (resigned on 28 February 2014)	49	—	49
Mr. Lai Ming Joseph	295	—	295
Mr. Zheng Ercheng (appointed on 30 May 2014)	172	—	172

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(b) Supervisors' emoluments

The remuneration of every supervisor for the year ended 31 December 2015 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zhao Xianglin	66

The remuneration of every supervisor for the year ended 31 December 2014 is set out below:

Name of Supervisor	Salary
Mr. Chen Liangnuan	72
Ms. Liang Yingmei	72
Mr. Zheng Ercheng (resigned on 30 May 2014)	36
Mr. Zhao Xianglin (appointed on 16 September 2014)	14

Notes:

- (i) Mr. Zhang Li is also the Chief Executive of the Company.
- (ii) Other benefits mainly include welfare and transportation expenses.
- (iii) During 2015, no directors waived or has agreed to waive any emoluments (2014: Nil).
- (iv) During the year, no emolument was paid by the Group to any of the above directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

(c) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2015.

(d) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2015, the Group did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2015, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

Notes to the consolidated financial statements

(All amounts in RMB Yuan thousands unless otherwise stated)

44. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (Continued)

(f) Directors' material interests in transactions, arrangements or contracts

On 15 December 2014, the Company entered into an acquisition agreement with Mr. Li Sze Lim and Mr. Zhang Li to acquire the entire registered capital of 惠州金鵝 for a consideration of RMB530,000,000 payable on completion. In 2015, the Group made a prepayment of RMB434,000,000 to Mr. Li Sze Lim and Mr. Zhang Li.

Save for contracts amongst group companies and the aforementioned transactions, no other significant transactions, arrangements and contracts to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTOR OF R&F PROPERTIES (HK) COMPANY LIMITED**
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 25, which comprises the interim condensed consolidated balance sheet of R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 September 2017

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
	Note	30 June 2017	31 December 2016
ASSETS			
Non-current assets			
Land use rights	7	387,949	394,660
Property, plant and equipment	7	1,861,151	1,894,630
Investment properties	7	5,692,484	5,548,926
Intangible assets	7	7,190	8,050
Interests in joint ventures		2,025,844	1,841,174
Interests in associates		489,617	489,914
Deferred income tax assets		527,654	450,300
Trade and other receivables and prepayments	8	200,300	-
Total non-current assets		11,192,189	10,627,654
Current assets			
Properties under development		13,208,424	8,414,665
Completed properties held for sale		2,581,892	3,374,639
Inventories		20,546	7,899
Trade and other receivables and prepayments	8	13,139,470	8,235,613
Tax prepayments		256,982	155,470
Restricted cash		805,296	869,852
Cash and cash equivalents		1,591,348	11,129,808
Total current assets		31,603,958	32,187,946
Total assets		42,796,147	42,815,600
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	10	10
Other reserves		256	22,784
Accumulated losses		(949,354)	(1,217,229)
		(949,088)	(1,194,435)
Non-controlling interests		1,226,222	1,217,113
Total equity		277,134	22,678

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUE)

R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

		Unaudited	
	Note	30 June 2017	31 December 2016
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	17,718,867	10,917,575
Deferred income tax liabilities		1,166,170	1,138,538
Total non-current liabilities		18,885,037	12,056,113
Current liabilities			
Accruals and other payables	11	12,027,221	8,244,472
Deposits received on sale of properties		2,314,046	1,258,254
Current income tax liabilities		508,010	536,976
Short-term borrowings	10	7,779,699	8,619,900
Current portion of long-term borrowings	10	1,005,000	12,077,207
Total current liabilities		23,633,976	30,736,809
Total liabilities		42,519,013	42,792,922
Total equity and liabilities		42,796,147	42,815,800

The notes on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Unaudited Six months ended 30 June	
		2017	2016
Revenue	6	1,581,169	2,611,982
Cost of sales		(1,027,135)	(2,108,098)
Gross profit		554,034	503,884
Other income	12	14,497	10,645
Other gains – net	13	143,634	13,409
Selling and marketing costs		(108,869)	(54,139)
Administrative expenses		(200,934)	(233,115)
Operating profit		402,362	240,684
Finance costs	14	(2,732)	(454,164)
Share of results of joint ventures		(41,723)	13,196
Share of results of associates		(296)	(3,024)
Profit/(Loss) before income tax		357,611	(203,308)
Income tax expenses	15	(80,627)	(34,062)
Profit/(Loss) for the period		276,984	(237,370)
Profit/(Loss) attributable to:			
– Owners of the Company		267,875	(231,827)
– Non-controlling interests		9,109	(5,543)
		276,984	(237,370)

The notes on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit/(Loss) for the period	276,984	(237,370)
Other comprehensive loss		
<i>Items that may be reclassified to profit or loss</i>		
– Currency translation differences	(22,528)	(65,111)
Total comprehensive income/(loss) for the period	254,456	(302,481)
Total comprehensive income/(loss) for the period attributable to:		
– Owners of the Company	245,347	(296,938)
– Non-controlling interests	9,109	(5,543)
	254,456	(302,481)

The notes on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited					
	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings / (accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	10	22,784	(1,217,229)	(1,194,435)	1,217,113	22,678
Total comprehensive income for the period ended 30 June 2017	-	(22,528)	267,875	245,347	9,109	254,456
Balance at 30 June 2017	10	256	(949,354)	(949,088)	1,226,222	277,134
Balance at 1 January 2016	10	27,576	177,876	205,462	1,188,014	1,393,476
Total comprehensive loss for the period ended 30 June 2016	-	(65,111)	(231,827)	(296,938)	(5,543)	(302,481)
Balance at 30 June 2016	10	(37,535)	(53,951)	(91,476)	1,182,471	1,090,995

The notes on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2017	2016
Cash flows from operating activities		
– Cash (used in)/generated from operations	(2,418,368)	221,092
– Interest paid	(863,812)	(796,583)
– Enterprise income tax and land appreciation tax paid	(176,236)	(83,613)
Cash flows used in operating activities – net	(3,458,416)	(659,104)
Cash flows from investing activities		
– Purchases of property, plant and equipment	(16,259)	(16,557)
– Purchases of intangible assets	(112)	(516)
– Proceeds from disposals of property, plant and equipment	2,250	-
– Prepayment for acquisition of a subsidiary	(200,300)	-
– Investments in joint ventures	(225,898)	-
– Cash repayment from related parties	4,384,702	1,479,377
– Cash advanced to related parties	(5,459,516)	(1,480,493)
– Decrease in time deposits	-	392,279
– Interest received	12,604	10,057
Cash flows (used in)/generated from investing activities – net	(1,502,529)	384,147
Cash flows from financing activities		
– Proceeds from borrowings, net of transaction costs	12,896,188	2,544,950
– Repayments of borrowings	(17,731,026)	(3,983,666)
– Cash advance from parent company	-	2,572,906
– Decrease in guarantee deposits for bank borrowings	336,149	134,604
Cash flows (used in)/generated from financing activities – net	(4,498,689)	1,268,794
Net (decrease)/increase in cash and cash equivalents	(9,459,634)	993,837
Exchange losses	(78,826)	(25,176)
Cash and cash equivalents at the beginning of the period	11,129,808	1,134,037
Cash and cash equivalents at the end of the period	1,591,348	2,102,698

The notes on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

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R&F PROPERTIES (HK) COMPANY LIMITED

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information

R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment and hotel operations in the People's Republic of China (the "PRC"). In addition, the Company has property development projects in Malaysia and Australia.

The Company is a limited liability company incorporated in Hong Kong on 25 August 2005.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

This interim condensed consolidated financial information is presented in RMB Yuan thousands (RMB'000), unless otherwise stated.

The Company, as a wholly owned subsidiary of Guangzhou R&F Properties Co., Ltd. ("GZ R&F"), has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, this consolidated financial information and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2017 or 2016. Information relating to the Company's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the company level financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(a) Amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning on 1 January 2017.

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3. Accounting policies (continued)

(a) Amended standards adopted by the Group (continued)

<u>Standards</u>	<u>Subject of amendment</u>
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKAS 7	Disclosure initiative
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of the above amended standards did not have a material impact on the Group.

(b) New and amended standards not yet adopted by the Group

The following new and amended standards have been issued and are effective for periods commencing on or after 1 January 2018 and have not been early adopted by the Group. None of these is expected to have a significant effect on the Group, except those set out in Note (i), (ii) and (iii).

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15 Revenue from contracts with customers

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. Accounting policies (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(i) HKFRS 15 Revenue from contracts with customers (continued)

- revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and
- rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

(ii) HKFRS 9 Financial instruments

HKFRS 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as the Group does not have any financial assets affected by the new guidance.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. Accounting policies (continued)

(b) New and amended standards not yet adopted by the Group (continued)

(iii) HKFRS 16 Leases (continued)

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB10,349,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Taxes on income in the interim periods are accrued using the average tax rate that would be applicable to expected total annual taxable profit.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in any risk management policies since year end.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. Financial risk management and financial instruments (continued)

5.2 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land banks, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 ears	Between 2 and 5 years	Over 5 years	Total
At 30 June 2017					
Borrowings(Note (a))	9,728,969	3,892,524	8,649,385	9,938,290	32,209,168
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	11,754,105	-	-	-	11,754,105
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	4,940,976	-	-	-	4,940,976

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5. Financial risk management and financial instruments (continued)

5.2 Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 ears	Between 2 and 5 years	Over 5 years	Total
At 31 December 2016					
Borrowings(Note (a))	21,847,700	1,780,754	3,382,328	10,557,740	37,548,522
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	7,648,110	-	-	-	7,648,110
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	3,999,677	-	-	-	3,999,677

Note:

(a) Interest on borrowings is calculated on borrowings held as at 30 June 2017 and 31 December 2016 respectively. Floating-rate interest is estimated using the current interest rate as at 30 June 2017 and 31 December 2016 respectively.

5.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The Group does not have any financial assets or liabilities measured at fair value.

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Restricted cash
- Cash and cash equivalents
- Accruals and other payables
- Borrowings except senior notes

The fair values and carrying amounts of senior notes are disclosed in Note10.

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R&F PROPERTIES (HK) COMPANY LIMITED

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6. Segment information

The chief operating decision-maker has been identified as the Director. The Director reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is principally engaged in the property development, property investment and hotel operations. As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and approximately 80% of the Group's consolidated assets are located in the PRC, no geographical information is presented. The remaining 20% of the consolidated assets are property development projects in Malaysia, Australia, the United Kingdom and Korea. Other services provided by the Group mainly represent property management and health clubs. The results of these operations are included in the "all other segments" column.

The Director assesses the performance of the operating segments based on a measure of profit for the period. The information provided to the Director is measured in a manner consistent with that in the financial statements.

The segment information provided to the Director for the reportable segments for the six months ended 30 June 2017 and 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2017					
Segment revenue	1,082,176	134,445	363,784	764	1,581,169
Profit/(Loss) for the period	70,302	196,282	15,706	(5,306)	276,984
Finance costs	54,621	(8,184)	(49,168)	(1)	(2,732)
Share of results of joint ventures	(41,723)	-	-	-	(41,723)
Share of results of associates	(296)	-	-	-	(296)
Income tax (expenses)/credits	(18,542)	(63,663)	1,189	389	(80,627)
Depreciation and amortisation	(6,489)	-	(48,959)	(6)	(55,454)
(Allowance for)/reversal of impairment losses of trade and other receivables	(3,162)	-	(329)	7	(3,484)
Fair value gains on investment properties – net of tax	-	108,016	-	-	108,016

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6. Segment information (continued)

	Property development	Property investment	Hotel operations	All other segments	Group
Six months ended 30 June 2016					
Segment revenue	2,161,010	146,271	304,051	650	2,611,982
(Loss)/profit for the period	(283,940)	78,247	(29,990)	313	(237,370)
Finance costs	(355,747)	(25,945)	(72,471)	(1)	(454,164)
Share of results of joint ventures	13,196	-	-	-	13,196
Share of results of associates	(3,024)	-	-	-	(3,024)
Income tax (expenses)/credits	(18,271)	(22,965)	5,821	1,353	(34,062)
Depreciation and amortisation	(6,540)	-	(50,488)	(3)	(57,031)
Allowance for impairment losses of trade and other receivables	(2,142)	-	(173)	-	(2,315)
Fair value gains on investment properties – net of tax	-	10,556	-	-	10,556

The revenue from external parties reported to the Director is measured in a manner consistent with that in the condensed consolidated income statement.

	Property development	Property investment	Hotel operations	All other segments	Group
As at 30 June 2017					
Segment assets	33,852,141	5,692,484	2,542,164	181,704	42,268,493
Segment assets include:					
Interests in joint ventures	2,025,844	-	-	-	2,025,844
Interests in associates	489,617	-	-	-	489,617
Additions to non-current assets (other than financial instruments and deferred tax assets)	13,974	-	2,268	129	16,371
Segment liabilities	14,096,393	-	156,751	88,123	14,341,267
As at 31 December 2016					
Segment assets	34,150,959	5,548,926	2,561,722	103,693	42,365,300
Segment assets include:					
Interests in joint ventures	1,841,174	-	-	-	1,841,174
Interests in associates	489,914	-	-	-	489,914
Additions to non-current assets (other than financial instruments and deferred tax assets)	12,019	-	8,381	26	20,426
Segment liabilities	9,255,541	-	172,829	74,356	9,502,726

Deferred income tax assets held by the Group are not considered to be segment assets but are managed on a central basis.

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7. Capital expenditure

	Land use rights	Property, plant and equipment	Investment properties	Intangible assets
Six months ended 30 June 2017				
At 1 January 2017	394,660	1,894,630	5,548,926	8,050
Additions	-	16,259	-	112
Currency translation differences	-	233	-	20
Disposals	-	(2,220)	-	-
Fair value gains	-	-	143,558	-
Depreciation and amortisation	(6,711)	(47,751)	-	(992)
At 30 June 2017	387,949	1,861,151	5,692,484	7,190
Six months ended 30 June 2016				
At 1 January 2016	411,442	1,928,312	5,248,285	9,402
Additions	-	16,557	-	516
Currency translation differences	-	684	-	(7)
Disposals	-	(13)	-	-
Fair value gains	-	-	13,375	-
Depreciation and amortisation	(10,071)	(45,972)	-	(988)
At 30 June 2016	401,371	1,899,568	5,261,660	8,923

(a) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent and professionally qualified valuers to determine the fair values of the investment properties as at 30 June 2017, 30 June 2016 and 31 December 2016. The fair value gains are included in "other gains – net" (Note 13).

As at 30 June 2017, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the period.

(b) Valuation processes of the Group

The Group's investment properties were revalued on 30 June 2017 by independent and professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the valuation team and the independent valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each reporting date the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

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7. Capital expenditure (continued)

(c) Valuation techniques

For completed office and retail buildings, the valuations were based on the term and reversionary method, which largely used unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease.

For car parks, the valuations were determined using the direct comparison method. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

There were no changes to the valuation techniques during the period.

(d) Information about fair value measurements using significant unobservable inputs (level 3)

- Term yield, reversionary yield, market rent and market price

For completed investment properties, increase in term yield and reversionary yields may result in decrease of fair value. Increase in market price and market rent may result in increase of fair value.

8. Trade and other receivables and prepayments

	As at	
	30 June 2017	31 December 2016
Trade receivables		
- Due from parent company	13,719	13,783
- Due from third parties	751,896	715,553
	765,615	729,336
Less: allowance for impairment of trade receivables	(5,992)	(4,960)
Trade receivables – net	759,623	724,376
Other receivables	851,155	554,802
Prepayments	300,748	6,182
Due from joint ventures	374,772	321,231
Due from associates	10,804	10,804
Due from fellow subsidiaries	11,052,801	6,625,899
Less: allowance for impairment of other receivables	(10,133)	(7,681)
Total	13,339,770	8,235,613
Less: non-current portion	(200,300)	-
Current portion	13,139,470	8,235,613

At 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables were as follows:

	As at	
	30 June 2017	31 December 2016
Up to 1 year	385,885	319,764
1 year to 2 years	3,090	8,427
2 years to 3 years	10,729	386,821
Over 3 years	365,911	14,324
	765,615	729,336

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9. Share capital

	Number of shares (thousands)	Ordinary shares
At 30 June 2017 and 31 December 2016	10	10

At 30 June 2017 and 31 December 2016, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

10. Borrowings

	As at	
	30 June 2017	31 December 2016
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	13,208,007	10,744,575
- Unsecured	700,000	700,000
	13,908,007	11,444,575
Senior notes		
- Secured (Note (b))	4,815,860	11,550,207
Less: current portion of long-term borrowings	(1,005,000)	(12,077,207)
	17,718,867	10,917,575
Current		
Short-term borrowings		
Bank borrowings		
- Secured (Note (a))	7,779,699	8,619,900
Current portion of long-term borrowings	1,005,000	12,077,207
Total borrowings	26,503,566	31,614,682

(a) Bank borrowings

(i) Movements in bank borrowings are analysed as follows:

	Six months ended 30 June	
	2017	2016
At 1 January	20,064,475	8,438,960
Additions	8,007,061	2,544,950
Repayments	(6,216,140)	(1,410,760)
Foreign exchange gains	(167,690)	-
At 30 June	21,687,706	9,573,150

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10. Borrowings (continued)

(a) Bank borrowings (continued)

(ii) At 30 June 2017, bank borrowings totalling RMB20,987,706,000 (31 December 2016: RMB19,364,475,000) were secured by the following:

	As at	
	30 June 2017	31 December 2016
Property, plant and equipment	1,651,554	1,589,456
Investment properties	5,692,484	5,548,926
Properties under development	3,105,362	3,406,038
Land use rights	387,949	179,616
Completed properties held for sale	488,557	-
	<u>11,325,906</u>	<u>10,724,036</u>
Restricted cash of parent company	9,300,027	9,190,869
Restricted cash of a fellow subsidiary	-	105,000
	<u>9,300,027</u>	<u>9,295,869</u>

(b) Senior notes

The senior notes are the direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

On 24 January 2017, Caifu redeemed all the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,294,322,000 plus the accrued and unpaid interest of RMB180,002,000 as of 24 January 2017.

(ii) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. Borrowings (continued)

(b) Senior notes (continued)

(ii) 2014 Notes (continued)

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,220,564,000 plus the accrued and unpaid interest of RMB294,364,000 as of 10 January 2017.

(iii) 2017 Notes

On 13 January 2017, a subsidiary of the Group, Easy Tactic Limited ("Easy Tactic") issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD265,000,000 with the issue price 99.146% of the principal amount (the "2017 Original Notes").

On 20 January 2017, Easy Tactic further issued 5.75% senior notes due 13 January 2022 in the aggregate principal amount of USD460,000,000 with the issue price 99.146% of the principal amount, plus accrued interest from (and including) 13 January 2017 to (but excluding) 20 January 2017 (the "2017 Additional Notes" and, together with the 2017 Original Notes, the "2017 Notes"). The net proceeds of the 2017 Notes, after deducting the transaction costs, amounted to RMB4,880,042,000.

As at 30 June 2017, the 2017 Notes were guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 6.25% to 9.14% (2016 : 8.87% to 12.25%).

The movements of senior notes are set out below:

	Six months ended 30 June	
	2017	2016
At 1 January	11,550,207	12,776,880
Issuance of 2017 Notes	4,880,042	-
Redemption	(11,040,521)	(2,572,906)
Early redemption premium paid	(474,365)	-
Interest charged (Note 14)	197,473	574,435
Interest included in other payables	(161,753)	(544,376)
Exchange (gains)/ losses	(135,223)	272,725
At 30 June	4,815,860	10,506,758

The fair values of the senior notes as at 30 June 2017 amounted to RMB4,910,899,000 (31 December 2016: RMB11,599,885,000). The fair values were determined directly by reference to the price quotations published by Bloomberg on 30 June 2017 and is within level 1 of the fair value hierarchy.

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11. Accruals and other payables

	As at	
	30 June 2017	31 December 2016
Amounts due to parent company(Note (a))	4,808,252	4,348,324
Amounts due to fellow subsidiaries(Note (a))	4,185,205	1,318,504
Amounts due to a joint venture(Note (a))	79,000	-
Construction payables (Note (b))	1,639,944	1,791,716
Other payables and accrued charges (Note (c))	1,314,820	785,928
	12,027,221	8,244,472

(a) The amounts are unsecured, interest free and repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other taxes payable excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair values.

12. Other income

	Six months ended 30 June	
	2017	2016
Interest income	12,604	10,057
Other operating income	1,893	588
	14,497	10,645

13. Other gains – net

	Six months ended 30 June	
	2017	2016
Fair value gains on investment properties	143,558	13,375
Gains/(losses) on disposals of property, plant and equipment	30	(13)
Others	46	47
	143,634	13,409

14. Finance costs

	Six months ended 30 June	
	2017	2016
Interest on bank borrowings	464,168	234,470
Interest on senior notes(Note 10(b))	197,473	574,435
	661,641	808,905
Net foreign exchange gains	(436,242)	(114,860)
Less: finance costs capitalised	(222,667)	(239,881)
	2,732	454,164

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15. Income tax expenses

	Six months ended 30 June	
	2017	2016
Current income tax		
– PRC enterprise income tax (Note (b))	89,223	73,579
Deferred income tax	(49,722)	(17,449)
	<u>39,501</u>	<u>56,130</u>
Current PRC land appreciation tax (Note (c))	41,126	(22,068)
Total income tax expenses	<u>80,627</u>	<u>34,062</u>

(a) Hong Kong and overseas profits tax

No Hong Kong and overseas profits tax has been provided as the Group did not have estimated assessable profit for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the six months ended 30 June 2017, the applicable income tax rate was primarily 25% (six months ended 30 June 2016: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

16. Financial guarantee contracts

	As at	
	30 June 2017	31 December 2016
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	<u>4,940,976</u>	<u>3,999,677</u>

CONSENSUED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. Financial guarantee contracts (continued)

Note:

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgagee is issued and submitted to the banks. The directors consider that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the interim condensed consolidated financial information for the guarantees.

17. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	As at	
	30 June 2017	31 December 2016
Contracted but not provided for		
-Properties development activities	92,564	327,803
-Acquisition of land use right	2,654,699	3,045,457
	<u>2,747,263</u>	<u>3,373,260</u>

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	As at	
	30 June 2017	31 December 2016
Not later than one year	6,406	1,966
Later than one year and not later than five years	3,943	10,458
	<u>10,349</u>	<u>12,424</u>

CONSENSSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. Significant related-party transactions

The parent of the Company is GZ R&F which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who own 33.70% and 32.02% of GZ R&F's shares respectively.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

(a) Provision of lease of properties

	Six months ended 30 June	
	2017	2016
Parent company: GZ R&F	25,019	26,270
A fellow subsidiary: 广州富力美好置业发展有限公司	14,758	-
	<u>39,777</u>	<u>26,270</u>

(b) Purchase of property management services

	Six months ended 30 June	
	2017	2016
Fellow subsidiaries: 广州天力物业发展有限公司	1,883	29
北京恒富物业服务有限公司	2,258	506
	<u>4,141</u>	<u>535</u>

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. Significant related-party transactions (continued)

(c) Purchase of construction services

	Six months ended 30 June	
	2017	2016
Fellow subsidiaries:		
广州天力建筑工程有限公司	164,307	363,699
广东恒力建设工程有限公司	27,842	46,614
	<u>192,149</u>	<u>410,313</u>

(d) Provision of hotel services

	Six months ended 30 June	
	2017	2016
Parent company:		
GZ R&F	<u>13,503</u>	<u>7,980</u>

(e) Payment of rental expenses

	Six months ended 30 June	
	2017	2016
Parent company:		
GZ R&F	<u>8,037</u>	<u>6,889</u>

Report on review of consolidated financial statements

To the Board of Director of R&F Properties (HK) Company Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the consolidated financial statements set out on pages 2 to 49, which comprise the consolidated balance sheet of R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2016 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.




PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2017

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated balance sheet

ASSETS	Note	As at 31 December	
		2016	2015
Non-current assets			
Land use rights	6	394,660	411,442
Property, plant and equipment	7	1,894,630	1,928,312
Investment properties	8	5,548,926	5,248,285
Intangible assets		8,050	9,402
Interests in joint ventures	10	1,841,174	1,852,192
Interests in associates	11	489,914	491,294
Deferred income tax assets	21	450,300	349,193
		<u>10,627,654</u>	<u>10,290,120</u>
Current assets			
Properties under development	13	8,414,665	9,165,194
Completed properties held for sale	14	3,374,639	1,014,655
Inventories		7,899	8,490
Trade and other receivables and prepayments	15	8,235,613	4,975,181
Tax prepayments		155,470	223,928
Restricted cash	16	869,852	1,014,420
Time deposits		-	500,000
Cash and cash equivalents	17	11,129,808	1,134,037
		<u>32,187,946</u>	<u>18,035,905</u>
Total assets		<u>42,815,600</u>	<u>28,326,025</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	10	10
Other reserves		22,784	27,576
(Accumulated losses)/retained earnings		(1,217,229)	177,876
		<u>(1,194,435)</u>	<u>205,462</u>
Non-controlling interests	9	1,217,113	1,188,014
Total equity		<u>22,678</u>	<u>1,393,476</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	20	10,917,575	8,200,600
Deferred income tax liabilities	21	1,138,538	1,063,589
		<u>12,056,113</u>	<u>9,264,189</u>
Current liabilities			
Accruals and other payables	19	8,244,472	2,082,306
Deposits received on sale of properties		1,258,254	2,079,079
Current income tax liabilities	22	536,976	491,735
Short-term borrowings	20	8,619,900	-
Current portion of long-term borrowings	20	12,077,207	13,015,240
		<u>30,736,809</u>	<u>17,668,360</u>
Total liabilities		<u>42,792,922</u>	<u>28,932,549</u>
Total equity and liabilities		<u>42,815,600</u>	<u>28,326,025</u>


Li Sze Lim
Director

The notes on pages 7 to 49 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated income statement

	Note	Year ended 31 December	
		2016	2015
Revenue	5	5,010,288	1,372,798
Cost of sales	25	(4,003,533)	(1,037,577)
Gross profit		1,006,755	335,221
Other income	23	87,039	27,989
Other gains - net	24	300,699	253,758
Selling and marketing costs	25	(188,549)	(117,189)
Administrative expenses	25	(397,637)	(329,925)
Operating profit		808,307	169,854
Finance costs	27	(2,018,089)	(2,427,886)
Share of results of joint ventures	10	(11,018)	174,383
Share of results of associates	11	(1,380)	(1,353)
Loss before income tax		(1,222,180)	(2,085,002)
Income tax (expenses)/credits	28	(143,826)	92,109
Loss for the year		(1,366,006)	(1,992,893)
(Loss)/profit attributable to:			
- Owners of the Company		(1,395,105)	(1,996,603)
- Non-controlling interests		29,099	3,710
		(1,366,006)	(1,992,893)

The notes on pages 7 to 49 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2016	2015
Loss for the year	(1,366,006)	(1,992,893)
Other comprehensive (loss)/income		
<i>Item that may be reclassified to profit or loss</i>		
- Currency translation differences	(4,792)	24,173
Other comprehensive (loss)/income for the year	(4,792)	24,173
Total comprehensive loss for the year	(1,370,798)	(1,968,720)
Total comprehensive (loss)/income attributable to:		
- Owners of the Company	(1,399,897)	(1,972,634)
- Non-controlling interests	29,099	3,914
	(1,370,798)	(1,968,720)

The notes on pages 7 to 49 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to owners of the Company					
	Share capital	Other reserves	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Comprehensive (loss)/income						
(Loss)/profit for the year	-	-	(1,996,603)	(1,996,603)	3,710	(1,992,893)
Currency translation differences	-	23,969	-	23,969	204	24,173
Total comprehensive (loss)/income	-	23,969	(1,996,603)	(1,972,634)	3,914	(1,968,720)
Transactions with owners						
Changes in ownership interests in subsidiaries without change of control	-	(2,203)	-	(2,203)	2,203	-
Total transactions with owners	-	(2,203)	-	(2,203)	2,203	-
Balance at 31 December 2015	10	27,576	177,876	205,462	1,188,014	1,393,476
Balance at 1 January 2016	10	27,576	177,876	205,462	1,188,014	1,393,476
Comprehensive (loss)/income						
(Loss)/profit for the year	-	-	(1,395,105)	(1,395,105)	29,099	(1,366,006)
Currency translation differences	-	(4,792)	-	(4,792)	-	(4,792)
Total comprehensive (loss)/income	-	(4,792)	(1,395,105)	(1,399,897)	29,099	(1,370,798)
Balance at 31 December 2016	10	22,784	(1,217,229)	(1,194,435)	1,217,113	22,678

The notes on pages 7 to 49 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of cash flows

		Year ended 31 December	
	Note	2016	2015
Cash flows from operating activities			
Cash used in operations	29	(310,020)	(689,944)
Interest paid		(1,445,096)	(2,178,914)
Enterprise income tax and land appreciation tax paid		(128,999)	(146,307)
Net cash used in operating activities		(1,884,115)	(3,013,165)
Cash flows from investing activities			
Purchases of property, plant and equipment		(19,943)	(303,940)
Purchases of intangible assets and land use rights		(483)	(45,056)
Proceeds on disposals of property, plant and equipment		-	714
Acquisition of associates		-	(59,524)
Cash repayments from related parties		3,524,626	3,912,197
Cash advanced to related parties		(3,957,079)	(2,909,830)
Decrease/(increase) in time deposits		500,000	(500,000)
Interest received		22,521	12,145
Net cash generated from investing activities		69,642	106,706
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		13,637,975	6,210,000
Repayments of borrowings		(4,585,366)	(4,105,160)
Cash repayments from related parties		2,572,906	-
Decrease/(increase) in guarantee deposits related to borrowings		113,713	(41,289)
Net cash generated from financing activities		11,739,228	2,063,551
Net increase/(decrease) in cash and cash equivalents		9,924,755	(842,908)
Exchange gains on cash and cash equivalents		71,016	70,266
Cash and cash equivalents at beginning of year		1,134,037	1,906,679
Cash and cash equivalents at end of year	17	11,129,808	1,134,037

The notes on pages 7 to 49 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company was incorporated in Hong Kong on 25 August 2005 as a company with limited liability.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Principal subsidiaries of the Group are listed in Note 9.

These consolidated financial statements are presented in RMB Yuan ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director (the "Board") on 28 April 2017.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements for the year ended 31 December 2016 has been prepared for financing purpose. The Company, as a wholly owned subsidiary of Guangzhou R&F Properties Co., Ltd. ("GZ R&F"), has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, this consolidated financial statements and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2016 or 2015. Information relating to the Company's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor had reported on the company level financial statements for the year ended 31 December 2015. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2016.

<u>Standards</u>	<u>Subject</u>
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(a) Amended standards adopted by the Group (continued)

<u>Standards</u>	<u>Subject</u>
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Annual improvements 2014	Annual improvements 2012-2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of amended standards has no material impact on the Group's financial statements except for disclosure.

(b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing the Group's consolidated financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted in.

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9 (Note (ii))	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 (Note (iii))	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

(i) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return - HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards and annual improvements not yet adopted (continued)

(ii) HKFRS 9, 'Financial Instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, equity instruments currently classified as available-for-sale (AFS) financial assets for which a FVOCI election is available. The Group does not have any other financial assets. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules have no impact to the Group since the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

(iii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB12,424,000, see note 31. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.2 Consolidation

A subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in ownership interests in subsidiaries without change of control. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.4 Associates (continued)

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director who makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other gains – net".

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains - net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains - net".

2.9 Intangible assets

The Group's intangible assets comprise computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group's financial assets comprise loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

Assets carried at amortised cost:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.15 Land use rights

All lands in the PRC are stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.17 Completed properties held for sale

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

2.18 Inventories

Inventories principally comprise materials held for hotel operations, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties and provision of hotel service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

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

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) Sale of properties

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

(b) Rental income

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

(c) Hotel operations

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

(d) Interest income

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

(e) Dividend income

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

2.29 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC, Malaysia and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD"), US dollars ("USD"), Malaysia ringgits ("MYR"), Singapore dollars ("SGD") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2016 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	5,681	(5,681)
Trade and other receivables	5,278	(5,278)
Accruals and other payables	(23,331)	23,331
Denominated in USD		
Cash and cash equivalents	469,351	(469,351)
Restricted cash	49,469	(49,469)
Borrowings	(857,149)	857,149
Denominated in AUD		
Cash and cash equivalents	11,684	(11,684)
Trade and other receivables	2,500	(2,500)
Denominated in SGD		
Trade and other receivables	8,113	(8,113)
	MYR against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in USD		
Accruals and other payables	(154,549)	154,549
Denominated in RMB		
Accruals and other payables	(44,029)	44,029
Denominated in HKD		
Accruals and other payables	(16,830)	16,830
Denominated in SGD		
Accruals and other payables	(8,140)	8,140
Denominated in AUD		
Accruals and other payables	(2,510)	2,510

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	2,091	(2,091)
Accruals and other payables	(11,573)	11,573
Denominated in USD		
Cash and cash equivalents	257	(257)
Restricted cash	30,557	(30,557)
Borrowings	(498,685)	498,685
Denominated in SGD		
Trade and other receivables	7,755	(7,755)
	MYR against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in USD		
Accruals and other payables	(140,256)	140,256
Denominated in HKD		
Accruals and other payables	(10,915)	10,915
Denominated in SGD		
Accruals and other payables	(7,769)	7,769
Denominated in RMB		
Accruals and other payables	(1,515)	1,515

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's borrowings at variable rate were denominated in RMB, USD and AUD.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2016 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher increase/(decrease) in post-tax profit for the year	25 basis points lower
Long-term borrowings at variable rates	(16,950)	16,950

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher increase/(decrease) in post-tax profit for the year	25 basis points lower
Long-term borrowings at variable rates	(12,500)	12,500

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-worthy banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2016, three customer accounted for more than 5% of the Group's trade receivables (31 December 2015: four).

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalent, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include controlling investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2016					
Borrowings(Note (1))	21,847,700	1,780,754	3,362,328	10,557,740	37,548,522
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	7,648,110	-	-	-	7,648,110
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	3,999,677	-	-	-	3,999,677
At 31 December 2015					
Borrowings(Note (1))	15,124,278	1,496,023	2,706,425	8,020,221	27,346,947
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,017,096	-	-	-	2,017,096
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,439,760	-	-	-	2,439,760
Guarantees in respect of borrowings of joint ventures	437,283	-	-	-	437,283

Note(1): Interest on borrowings is calculated on borrowings held as at 31 December 2016 and 2015 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

As at 31 December 2016, the Group's working capital was mainly financed by bank borrowings and senior notes (Note 20).

3.3 Fair value estimation

The Group's financial instruments recognised in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

See Note 8 for disclosures of the investment properties that are measured at fair value.

4. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expenses of the Group. However, the implementation of these taxes varies amongst various cities in the PRC and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions have been disclosed in Note 8.

(d) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties underdevelopment, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2016, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2015: Nil).

Notes to the consolidated financial statements

5. Segment information

The chief operating decision-maker has been identified as the Executive Director Management has determined the operating segments based on the information reviewed by the Executive Director for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Executive Director considers the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations. Other services provided by the Group mainly represent property management and property agency. The results of these operations are included in the "all other segments" column.

The Executive Director assesses the performance of the operating segments based on a measure of profit for the year.

The segment information provided to the Executive Director for the reportable segments for the year ended 31 December 2016 and the segment assets and liabilities at 31 December 2016 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue from external customers	4,067,621	281,373	658,891	1,403	5,010,288
(Loss)/profit for the year	(1,691,601)	370,267	(44,133)	(539)	(1,366,006)
Finance costs	(1,819,725)	(50,604)	(147,757)	(3)	(2,018,089)
Share of results of joint ventures	(11,018)	-	-	-	(11,018)
Share of results of associates	(1,380)	-	-	-	(1,380)
Income tax (expenses)/ credits	(36,654)	(117,431)	8,965	1,294	(143,826)
Depreciation and amortisation	(11,818)	(1,407)	(99,991)	(13)	(113,229)
Allowance for impairment losses of receivables	(5,629)	-	(269)	(8)	(5,906)
Fair value gains on investment properties - net of tax	-	226,438	-	-	226,438
Segment assets	34,170,357	5,529,528	2,561,722	103,693	42,365,300
Segment assets includes:					
Interests in joint ventures	1,841,174	-	-	-	1,841,174
Interests in associates	489,914	-	-	-	489,914
Additions to non-current assets (other than financial instruments and deferred tax assets)	12,019	-	8,381	26	20,426
Segment liabilities	9,255,541	-	172,629	74,356	9,502,726

Notes to the consolidated financial statements

5. Segment information (continued)

The segment information provided to the Director for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue from external customers	515,789	297,646	558,520	843	1,372,798
(Loss)/profit for the year	(2,200,594)	332,950	(123,797)	(1,452)	(1,992,893)
Finance costs	(2,208,770)	(47,443)	(171,672)	(1)	(2,427,886)
Share of results of joint ventures	174,383	-	-	-	174,383
Share of results of associates	(1,353)	-	-	-	(1,353)
Income tax credits/(expenses)	180,577	(104,546)	15,525	553	92,109
Depreciation and amortisation	(10,951)	(1,407)	(58,531)	(5)	(70,894)
(Allowance for)/reversal of allowance for impairment losses of receivables	(3,574)	-	167	(1)	(3,388)
Fair value gains on investment properties - net of tax	-	191,789	-	-	191,789
Segment assets	20,099,139	5,229,158	2,604,464	44,071	27,976,832
Segment assets includes:					
Interests in joint ventures	1,852,192	-	-	-	1,852,192
Interests in associates	491,294	-	-	-	491,294
Additions to non-current assets (other than financial instruments and deferred tax assets)	25,467	-	326,673	16	352,156
Segment liabilities	3,962,480	-	125,335	73,570	4,161,385

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Director is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred tax assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2016	2015
Segment assets for reportable segments	42,365,300	27,976,832
Deferred income tax assets	450,300	349,193
Total assets per balance sheet	42,815,600	28,326,025

The amounts provided to the Executive Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Notes to the consolidated financial statements

5. Segment information (continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2016	2015
Segment liabilities for reportable segments	9,502,726	4,161,385
Deferred income tax liabilities	1,138,538	1,063,589
Current income tax liabilities	536,976	491,735
Current borrowings	20,697,107	13,015,240
Non-current borrowings	10,917,575	8,200,600
Total liabilities per balance sheet	42,792,922	28,932,549

Entity-Wide information

Revenue from external customers by country, based on the destination of the customer:

	2016	2015
PRC	4,991,230	1,371,155
Other countries	19,058	1,643
Total	5,010,288	1,372,798

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues for the year ended 31 December 2016 (2015: Nil).

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2016	2015
PRC	10,169,827	9,934,033
Other countries	7,527	6,894
Total	10,177,354	9,940,927

Non-current assets in the individual countries included in "other countries" are not material.

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016	2015
At 1 January	411,442	365,044
Additions	-	38,817
Amortisation of prepaid operating lease payments	(16,782)	(12,419)
At 31 December	394,660	411,442

Land use rights are amortised in the following categories:

	2016	2015
Selling and administrative expenses	1,407	1,407
Cost of sales	15,375	7,852
Capitalised in property, plant and equipment	-	3,160
	16,782	12,419

Borrowings are secured on certain land use rights with a carrying amount of RMB179,616,000 (2015: RMB255,852,000).

Notes to the consolidated financial statements

7. Property, plant and equipment

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment	Assets under construction	Total
At 1 January 2015						
Cost	182,446	1,448,060	181,018	43,200	364,655	2,219,379
Accumulated depreciation	(40,810)	(306,837)	(154,733)	(33,080)	-	(535,360)
Net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Year ended 31 December 2015						
Opening net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Additions	10,341	-	89,299	1,719	205,741	307,100
Transfer from assets under construction	-	570,396	-	-	(570,396)	-
Disposals	-	-	(717)	-	-	(717)
Depreciation	(5,777)	(45,180)	(6,154)	(3,102)	-	(60,213)
Currency translation differences	-	-	(393)	(484)	-	(877)
Closing net book amount	146,200	1,666,439	108,320	7,353	-	1,928,312
At 31 December 2015						
Cost	192,788	2,018,455	269,071	44,263	-	2,524,577
Accumulated depreciation	(46,588)	(352,016)	(160,751)	(36,910)	-	(596,265)
Net book amount	146,200	1,666,439	108,320	7,353	-	1,928,312
Year ended 31 December 2016						
Opening net book amount	146,200	1,666,439	108,320	7,353	-	1,928,312
Additions	11,198	-	3,761	3,746	1,238	19,943
Transfer from properties under development	26,986	13,735	-	-	-	40,721
Disposals	-	-	-	(13)	-	(13)
Depreciation	(5,889)	(63,845)	(22,171)	(2,707)	-	(94,612)
Currency translation differences	-	-	94	175	50	279
Closing net book amount	178,495	1,616,329	90,004	8,554	1,248	1,894,630
At 31 December 2016						
Cost	230,972	2,032,190	272,940	47,929	1,248	2,585,279
Accumulated depreciation	(52,477)	(415,861)	(182,936)	(39,375)	-	(690,649)
Net book amount	178,495	1,616,329	90,004	8,554	1,248	1,894,630

Depreciation expense has been charged in the following categories:

	2016	2015
Administrative expenses	11,002	10,429
Cost of sales	83,610	49,784
	<u>94,612</u>	<u>60,213</u>

For the year ended 31 December 2016, no borrowing costs were capitalised in assets under construction (2015: Nil).

Borrowings are secured by certain buildings with a carrying amount of RMB1,589,456,000 (2015: RMB1,208,117,000).

Notes to the consolidated financial statements

8. Investment properties

	2016	2015
	Completed properties	Completed properties
Opening balance at 1 January	5,248,285	4,994,525
Fair value gains	300,641	253,760
Closing balance at 31 December	5,548,926	5,248,285
Total gains for the year included in profit or loss under "other gains - net"	300,641	253,760
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of the year	300,641	253,760

As at 31 December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: Nil).

(a) Amounts recognised in the consolidated income statement for investment properties:

	2016	2015
Rental income	281,373	297,646
Direct operating expenses arising from investment properties that generate rental income	(27,955)	(26,515)
Direct operating expenses that did not generate rental income	(32,025)	(23,283)

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2016 and 2015. The revaluation gains or losses are included in "other gains - net".

As at 31 December 2016 and 2015, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2016 and 2015 by independent, professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Notes to the consolidated financial statements

8. Investment properties (continued)

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on the term and reversionary method, which largely used unobservable inputs and taking into account the significant adjustment in term yield to account for the risk upon reversionary and the estimation in market price after expiry of current lease.

For carparks, valuations are determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

(e) Information about fair value measurements using significant unobservable inputs (level 3) :

Description		Fair value at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	4,724,082	Term and reversionary method	Term yields	6.25%	The higher the term yields, the lower the fair value
				Reversionary yields	6.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	40,600-60,900	The higher the market price, the higher the fair value
Completed investment properties	Retail	577,137	Term and reversionary method	Term yields	6.25%	The higher the term yields, the lower the fair value
				Reversionary yields	6.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	40,000-63,000	The higher the market rents, the higher the fair value
	Carpark	294,464	Direct comparison method	Market price (RMB/square metre)	5,485-11,137	The higher the market price, the higher the fair value
Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	4,366,453	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	35,400-59,000	The higher the market price, the higher the fair value
Completed investment properties	Retail	558,236	Term and reversionary method	Term yields	6.50%-7.00%	The higher the term yields, the lower the fair value
				Reversionary yields	6.50%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square metre/month)	168-279	The higher the market rents, the higher the fair value
	Carpark	291,596	Direct comparison method	Market price (RMB/square metre)	5,414-10,993	The higher the market price, the higher the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. If the remaining lease term increases, the yield may decrease.

Notes to the consolidated financial statements

8. Investment properties (continued)

(f) Investment properties pledged as security

Borrowings are secured on certain investment properties for the value of RMB5,595,684,000 (2015: RMB4,870,117,000).

9. Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2016:

Company name	Date of incorporation / establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
广州圣致房地产开发有限公司 (“圣致”)	27 August 2007	Limited liability company	USD80,000,000	75%	Property development of Guangzhou Yingkai Project in the PRC
广州富力兴盛置业发展有限公司 (“兴盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of Guangzhou R&F Center in the PRC
广州富力恒盛置业发展有限公司 (“恒盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of Guangzhou R&F Ritz Carlton Hotel in the PRC
广州富力盛盛置业发展有限公司 (“盛盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of Guangzhou R&F Grand Hyatt Hotel in the PRC
海南易通生态科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	100%	Property development in the PRC
杭州富力房地产开发有限公司	19 December 2012	Limited liability company	USD120,000,000	100%	Property development in the PRC
杭州联宜房地产开发有限公司	27 February 2013	Limited liability company	USD75,000,000	100%	Property development in the PRC
杭州品宜房地产开发有限公司	4 September 2013	Limited liability company	USD64,500,000	100%	Property development in the PRC
无锡悦富房地产开发有限公司	16 December 2013	Limited liability company	USD300,000,000	100%	Property development in the PRC
重庆富力嘉盛房地产开发有限公司	28 January 2014	Limited liability company	RMB794,540,000	100%	Property development in the PRC
沈阳亿隆房地产开发有限公司	12 December 2001	Limited liability company	RMB20,000,000	100%	Property development in the PRC
烟台市富力房地产开发有限公司	22 September 2016	Limited liability company	USD60,000,000	100%	Property development in the PRC

R&F PROPERTIES (HK) COMPANY LIMITED

(All amounts in RMB Yuan thousands unless otherwise stated)

Notes to the consolidated financial statements

9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
南通富力房地产 开发有限公司	18 September 2016	Limited liability company	USD75,000,000	100%	Property development in the PRC
南昌富力盛唐置 业有限公司	22 December 2016	Limited liability company	USD51,866,700	60%	Property development in the PRC
Subsidiaries – incorporated in the British Virgin Islands ("BVI")					
Value Success Investments Limited ("Value Success")	1 September 2006	Limited liability company	USD10,000	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	100%	Investment holding in BVI
Big Will Investments Limited ("Big Will")	2 November 2007	Limited liability company	USD1	100%	Investment holding in BVI
Caifu Holdings Limited ("Caifu")	2 January 2013	Limited liability company	USD1	100%	Investment holding in BVI
Trillion Chance Limited ("Trillion Chance")	31 October 2013	Limited liability company	USD1	100%	Investment holding in BVI
Easy Tactic Limited ("Easy Tactic")	16 October 2013	Limited liability company	USD2	100%	Investment holding in BVI
Subsidiaries – incorporated in Malaysia:					
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	100%	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	100%	Property development in Malaysia
Subsidiaries – incorporated in UK:					
R&F Properties (UK) Company Limited	24 August 2016	Limited liability company	GBP1	100%	Investment holding in UK
Subsidiaries – incorporated in Korea:					
R&F Korea Co., Ltd.	21 November 2016	Limited liability company	KOR1,000,000,000	100%	Property development in Korea

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9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2016: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – Incorporated in Australia:					
R&F Development Holdings Pty Ltd.	30 May 2014	Limited liability company	AUD1	100%	Investment holdings in the Australia
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Estate Pty Ltd.	07 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	100%	Property development in Australia
Subsidiaries – Incorporated in Singapore:					
R&F Development Pte. Ltd.	17 April 2014	Limited liability company	SGD1	100%	Marketing development in Singapore

(b) Material non-controlling interests

The accumulated non-controlling interests as at 31 December 2016 were RMB1,217,113,000 (2015: RMB1,188,014,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

10. Interests in joint ventures

	2016	2015
At 1 January	1,852,192	1,677,809
Share of results	(11,018)	174,383
At 31 December	<u>1,841,174</u>	<u>1,852,192</u>

As at 31 December 2016, the Group's interests in joint ventures, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2016 was losses of RMB11,018,000 (2015: profits of RMB174,383,000).

Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.

There were no other contingent liabilities relating to the Group's interests in joint ventures.

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11. Interests in associates

	2016	2015
At 1 January	491,294	433,123
Additions	-	59,524
Share of results	(1,380)	(1,353)
At 31 December	<u>489,914</u>	<u>491,294</u>

As at 31 December 2016, the Group's interests in associates, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2016 was RMB1,380,000 (2015: RMB1,353,000).

There were no contingent liabilities relating to the Group's interests in associates.

12. Financial instrument by category

	2016	2015
Loans and receivables		
Trade and other receivables excluding prepayments	8,176,454	4,913,678
Cash and cash equivalents	11,129,808	1,134,037
Restricted cash	669,852	1,014,420
Time deposits	-	500,000
	<u>20,176,114</u>	<u>7,562,135</u>
	2016	2015
Financial liabilities at amortised cost		
Borrowings(excluding finance lease liabilities)	31,614,682	21,215,840
Accruals and other payables excluding non-financial liabilities	7,648,110	2,017,096
	<u>39,262,792</u>	<u>23,232,936</u>

13. Properties under development

	2016	2015
Amount comprises:		
Land use rights	6,037,994	6,515,254
Construction costs and capitalised expenditures	1,339,103	1,812,932
Finance costs capitalised	1,037,568	837,008
	<u>8,414,665</u>	<u>9,165,194</u>

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 7.73% for 2016 (2015: 7.74%)

As at 31 December 2016, certain properties under development with an aggregate carrying amount of RMB3,406,038,000 (2015: RMB2,929,725,000) were pledged as collateral for the Group's borrowings.

14. Completed properties held for sale

	2016	2015
Amount comprises:		
Land use rights	1,194,585	213,250
Construction costs and capitalised expenditures	1,856,306	744,564
Finance costs capitalised	323,748	56,841
	<u>3,374,639</u>	<u>1,014,655</u>

Notes to the consolidated financial statements

15. Trade and other receivables and prepayments

	2016	2015
Trade receivables		
- Due from parent company	13,783	10,827
- Due from third parties	715,553	650,917
	729,336	661,744
Less: allowance for impairment of trade receivables	(4,960)	(2,180)
Trade receivables – net (Note (a))	724,376	659,564
Other receivables (Note (b))	554,802	151,394
Prepayments	6,182	61,503
Due from joint ventures	321,231	170,330
Due from associates	10,804	-
Due from fellow subsidiaries	6,625,899	3,936,945
Less: allowance for impairment of other receivables	(7,681)	(4,555)
	8,235,613	4,975,181
Less: non-current portion	-	-
Current portion	8,235,613	4,975,181

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2016	2015
Up to 1 year	319,764	133,033
1 year to 2 years	8,427	485,732
2 years to 3 years	386,821	2,857
Over 3 years	14,324	40,122
	729,336	661,744

Trade receivables are analysed as follows:

	2016	2015
Fully performing under credit terms	331,347	155,400
Past due but not impaired	393,029	504,164
Non-performing and impaired	4,960	2,180
	729,336	661,744
Less: allowance for impairment	(4,960)	(2,180)
Trade receivables – net	724,376	659,564

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title of the underlying properties for re-sales. Therefore, the director considers that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2016 (2015: Nil). The ageing analysis of these trade receivables is as follows:

	2016	2015
1 year to 2 years	8,427	485,732
2 years to 3 years	382,870	1,225
Over 3 years	1,932	17,207
	393,029	504,164

Notes to the consolidated financial statements

15. Trade and other receivables and prepayments (continued)

(a) Trade receivables (continued)

As at 31 December 2016, trade receivables of RMB4,960,000 (2015: RMB2,180,000) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2016	2015
Over 2 years	4,960	2,180

(b) Other receivables

Other receivables are analysed as follows:

	2016	2015
Fully performing under normal business	547,121	146,839
Non-performing and impaired	7,681	4,555
	554,802	151,394
Less: allowance for impairment	(7,681)	(4,555)
Other receivables – net	547,121	146,839

Movements on the allowance for impairment of other receivables are as follows:

	2016	2015
At 1 January	4,555	3,347
Allowance for impairment	3,126	1,208
At 31 December	7,681	4,555

(c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(d) The carrying amounts of the Group's trade and other receivables, including amounts due from related parties, are denominated in the following currencies:

	2016	2015
-RMB	8,169,693	4,904,838
-AUD	45,758	8,011
-MYR	13,600	687
-SGD	80	142
	8,229,431	4,913,678

16. Restricted cash

	2016	2015
Guarantee deposits for construction of pre-sold properties (Note (a))	216,036	370,917
Guarantee deposits for interests of senior notes (Note(b))	476,981	583,515
Guarantee deposits for construction payables (Note (c))	10,724	10,691
Guarantee deposits for borrowings (Note (d))	426	7,605
Others(Note (e))	165,685	41,692
	869,852	1,014,420

Notes to the consolidated financial statements

16. Restricted cash (continued)

- (a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.
- (b) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.
- (c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.
- (d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.
- (e) Others mainly include guarantee deposits for letter of credit and deposits for capital account. The use of deposits for capital account is restricted to payment of land use rights and construction costs.

The restricted cash is denominated in the following currencies:

	2016	2015
- RMB	255,457	387,623
- USD	593,061	620,343
- AUD	-	4,492
- MYR	21,334	1,962
	<u>869,852</u>	<u>1,014,420</u>

The Director of the Group is of the view that the restricted cash listed above will be released within one year.

17. Cash and cash equivalents

	2016	2015
Cash at bank and on hand	2,793,408	936,979
Short-term bank deposits	8,336,400	197,058
	<u>11,129,808</u>	<u>1,134,037</u>

	2016	2015
Denominated in:		
- RMB	1,214,469	1,047,934
- USD	9,481,243	5,863
- MYR	31,745	26,092
- AUD	287,905	11,918
- HKD	113,611	41,811
- SGD	835	419
	<u>11,129,808</u>	<u>1,134,037</u>

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

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18. Share capital

	Number of shares (thousands)	Share capital
At 31 December 2016 and 2015	10	10

At 31 December 2016 and 2015, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

19. Accruals and other payables

	2016	2015
Amounts due to joint ventures	-	364,823
Amounts due to associates	-	61,754
Amounts due to parent company (Notes (a))	4,348,324	44,746
Amounts due to fellow subsidiaries (Notes (a))	1,318,504	204,393
Construction payables (Note (b))	1,791,716	669,185
Other payables and accrued charges (Note (c))	785,928	737,405
	<u>8,244,472</u>	<u>2,082,306</u>

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other tax payables excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair value.

20. Borrowings

	2016	2015
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	10,744,575	7,738,960
- Unsecured	700,000	700,000
	<u>11,444,575</u>	<u>8,438,960</u>
Senior notes (Note (b))		
- Secured	11,550,207	12,776,880
	<u>11,550,207</u>	<u>12,776,880</u>
Less: current portion of long-term borrowings	<u>(12,077,207)</u>	<u>(13,015,240)</u>
	<u>10,917,575</u>	<u>8,200,600</u>
Current		
Short-term borrowings		
Bank borrowings (Note (a))		
- Secured	8,619,900	-
	<u>8,619,900</u>	<u>-</u>
Current portion of long-term borrowings	<u>12,077,207</u>	<u>13,015,240</u>
Total borrowings	<u>31,614,682</u>	<u>21,215,840</u>

Notes to the consolidated financial statements

20. Borrowings (continued)

(a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2016	2015
At 1 January	8,438,960	3,634,120
Additions	13,637,975	5,210,000
Repayments	(2,012,460)	(405,160)
At 31 December	20,064,475	8,438,960

(ii) At 31 December 2016, bank borrowings totaling RMB19,364,475,000 (2015: RMB7,738,960,000) were secured by the following:

	2016	2015
Secured by the Group		
- Land use rights	179,816	255,852
- Property, plant and equipment	1,589,456	1,206,117
- Investment properties	5,595,884	4,870,117
- Properties under development	3,406,038	2,929,725
- Restricted cash	9,295,869	-
	20,066,663	9,263,811

(iii) The maturity of bank borrowings is as follows:

	2016	2015
Within 1 year	9,146,900	238,360
Between 1 and 2 years	1,259,000	1,013,360
Between 2 and 5 years	2,090,575	1,474,080
Over 5 years	7,568,000	5,713,160
	20,064,475	8,438,960

(iv) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2016	2015
- RMB bank borrowings	10,922,000	8,438,960
- USD bank borrowings	8,671,250	-
- AUD bank borrowings	471,225	-
	20,064,475	8,438,960

(v) The effective interest rate of bank borrowings is 5.43% (2015: 6.32%).

(vi) The carrying amounts of bank borrowings approximate their fair values.

Notes to the consolidated financial statements

20. Borrowings (continued)

(b) Senior notes

The senior notes are the only direct, unsubordinated, unconditional and secured obligations of the relevant issuers.

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB983,828,000.

On 29 April 2016, Big Will redeemed the 2011 Notes in full at a redemption price equal to 100% of the principal amount of the 2011 Notes outstanding thereof which amounted to RMB994,680,000 plus the accrued and unpaid interest of RMB52,680,000 as of 29 April 2016.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

On 29 April 2016, Big Will redeemed the 2012 Notes in full at a redemption price equal to 100% of the principal amount of the 2012 Notes outstanding thereof which amounted to RMB1,578,225,600 plus the accrued and unpaid interest of RMB83,586,000 as of 29 April 2016.

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at par (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes"). The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

On 24 January 2017, Caifu redeemed the 2013 Notes in full at a redemption price equal to 104.375% of the principal amount of the 2013 Notes outstanding thereof which amounted to RMB4,279,229,000 plus the accrued and unpaid interest of RMB177,661,000 as of 24 January 2017. The aggregate amount of the redemption premium and the unamortised borrowing costs, which amounted to RMB207,233,000, were charged to the consolidated income statement for the year ended 31 December 2016.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

On 10 January 2017, Trillion Chance redeemed the 2014 Notes in full at a redemption price equal to 104.250% of the principal amount of the 2014 Notes outstanding thereof which amounted to RMB7,217,645,000 plus the accrued and unpaid interest of RMB294,245,000 as of 10 January 2017. The aggregate amount of the redemption premium and the unamortised borrowing costs, which amounted to RMB339,373,000, were charged to the consolidated income statement for the year ended 31 December 2016.

As at 31 December 2016, the 2013 and 2014 Notes were jointly guaranteed by certain subsidiaries of the Group and were secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2015: 8.87% to 12.25%).

Notes to the consolidated financial statements

20. Borrowings (continued)

(b) Senior notes (continued)

The movements of senior notes are set out below:

	2016	2015
At 1 January	12,776,880	11,987,708
Redemption of the 2011 and 2012 Notes	(2,572,906)	-
Interest charged	1,117,780	1,178,848
Interest included in other payables	(1,010,775)	(1,131,935)
Accrued early redemption premium charges	476,918	-
Exchange losses	762,310	742,459
At 31 December	<u>11,550,207</u>	<u>12,776,880</u>

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2016 amounted to RMB11,589,885,000 (31 December 2015: RMB13,252,554,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2016 and is within level 1 of the fair value hierarchy.

21. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016	2015
Deferred tax assets:		
- To be recovered after 12 months	352,927	292,498
- To be recovered within 12 months	97,373	56,695
	<u>450,300</u>	<u>349,193</u>
Deferred tax liabilities:		
- To be recovered after 12 months	(1,138,253)	(1,023,716)
- To be recovered within 12 months	(285)	(39,873)
	<u>(1,138,538)</u>	<u>(1,063,589)</u>
Deferred tax liabilities – net	<u>(688,238)</u>	<u>(714,396)</u>

The gross movements on the deferred income tax account are as follows:

	2016	2015
At 1 January	(714,396)	(757,318)
Income statement credits	28,135	45,439
Currency translation differences	(1,977)	(2,517)
At 31 December	<u>(688,238)</u>	<u>(714,396)</u>

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

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21. Deferred income tax (continued)

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Interest capitalisation and others	Total
At 1 January 2015	90,079	1,021,553	5,746	1,117,378
(Credited)/charged to the income statement	(50,206)	41,849	11,674	3,317
At 31 December 2015	39,873	1,063,402	17,420	1,120,695
(Credited)/charged to the income statement	(39,588)	81,561	5,556	47,529
At 31 December 2016	285	1,144,963	22,978	1,168,224

Deferred tax assets:

	Accruals and others	Tax losses	Total
At 1 January 2015	158,583	201,477	360,060
Credited to the income statement	26,218	22,538	48,756
Currency translation differences	-	(2,517)	(2,517)
At 31 December 2015	184,801	221,498	406,299
Credited to the income statement	32,097	43,567	75,664
Currency translation differences	-	(1,977)	(1,977)
At 31 December 2016	216,898	263,088	479,986

As at 31 December 2016, deferred income tax assets of RMB29,686,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2015: RMB57,106,000).

22. Current income tax liabilities

	2016	2015
Land appreciation tax liabilities	415,073	475,511
Income tax liabilities	121,903	16,224
	<u>536,976</u>	<u>491,735</u>

23. Other income

	2016	2015
Interest income	75,498	12,145
Other operating income	11,541	15,844
	<u>87,039</u>	<u>27,989</u>

24. Other gains - net

	2016	2015
Fair value gain on investment properties - net	300,641	253,760
Losses on disposals of property, plant and equipment	(13)	(3)
Others	71	1
	<u>300,699</u>	<u>253,758</u>

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25. Expenses by nature

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2016	2015
Cost of completed properties sold	3,295,085	589,485
Hotel management fees	436,128	368,734
Business taxes and other levies	250,638	142,636
Depreciation	94,612	60,213
Employee benefit expenses	170,445	136,185
Advertising costs	63,007	31,423
Amortisation of land use rights and intangible assets	18,617	10,681
Office expenses	8,013	10,025
Allowance for doubtful debts	5,906	3,388
Auditors' remuneration	472	428
- Audit services	120	107
- Non-audit services	352	321
Others	246,796	131,493
	<u>4,589,719</u>	<u>1,484,691</u>

26. Employee benefit expenses

	2016	2015
Wages and salaries	148,041	115,770
Retirement scheme contributions	12,833	10,111
Other allowances and benefits	9,571	10,304
	<u>170,445</u>	<u>136,185</u>

27. Finance costs

	2016	2015
Interest on bank borrowings	519,465	424,559
Interest on senior notes	1,117,780	1,178,648
Interest on other borrowings	-	112,887
	<u>1,637,245</u>	<u>1,716,094</u>
Accrued early redemption premium for senior notes	476,918	-
Net foreign exchange losses	606,088	1,238,922
Less: finance costs capitalised	(702,162)	(525,130)
	<u>2,018,089</u>	<u>2,427,896</u>

28. Income tax expenses/(credits)

	2016	2015
Current income tax		
- PRC enterprise income tax (Note (b))	169,381	9,970
Deferred income tax	(28,135)	(45,439)
	<u>141,246</u>	<u>(35,469)</u>
Current PRG land appreciation tax (Note (c))	2,580	(56,640)
Total income tax expenses/(credits) (Note (d))	<u>143,826</u>	<u>(92,109)</u>

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2015: Nil).

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28. Income tax expenses/(credits) (continued)

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2016, the applicable income tax rate for the profits generated was primarily 25% (2015: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2016	2015
Loss before income tax	(1,275,157)	(2,085,002)
Less: Land appreciation tax	(2,580)	56,640
	<u>(1,277,737)</u>	<u>(2,028,362)</u>
Calculated at tax rate of 25% (2015: 25%)	(319,434)	(507,091)
Effects of:		
- Different income tax rates of certain companies	(4,298)	(10,449)
- Share of results of joint ventures and associates	3,100	(43,258)
- Interest expenses of senior notes and other costs not deductible for tax purposes	461,671	522,359
- Others	205	2,970
PRC enterprise income tax	<u>141,246</u>	<u>(35,469)</u>
Land appreciation tax	<u>2,580</u>	<u>(56,640)</u>
Income tax expenses/(credits)	<u>143,826</u>	<u>(92,109)</u>

29. Cash used in operations

	2016	2015
Loss for the year	(1,366,006)	(1,992,893)
Adjustments for:		
- Tax	143,826	(92,109)
- Interest income	(75,498)	(12,145)
- Finance costs	2,018,089	2,427,886
- Depreciation	94,612	60,213
- Amortisation of land use rights and intangible assets	18,617	10,681
- Losses on disposals of property, plant and equipment	13	3
- Allowance for doubtful debts	5,906	3,388
- Share of results of joint ventures	11,018	(174,383)
- Share of results of associates	1,380	1,353
- Fair value gains on investment properties - net	(300,641)	(253,760)
Operating profit before changes in working capital	<u>551,316</u>	<u>(21,766)</u>
Changes in working capital:		
- Properties under development and completed properties held for sale	(918,723)	(1,785,511)
- Trade receivables	(67,592)	118,619
- Other receivables, deposits and prepayments	(295,110)	30,081
- Restricted cash	30,855	(231,425)
- Deposits received on sale of properties	(820,825)	1,463,825
- Accruals and other payables	1,210,059	(263,767)
Net cash and cash equivalents used in operations	<u>(310,020)</u>	<u>(689,944)</u>

Notes to the consolidated financial statements

30. Financial guarantee contracts

The face values of the financial guarantees issued by the Group as at 31 December 2016 and 2015 are analysed as follows:

	2016	2015
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	3,999,677	2,439,760
Guarantees in respect of borrowings of a joint venture	-	437,283
	<u>3,999,677</u>	<u>2,877,043</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The Director considers that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

31. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2016	2015
Contracted but not provided for:		
Properties development activities	327,803	507,859
Acquisition of land use rights	3,045,457	5,399,265
	<u>3,373,260</u>	<u>5,907,124</u>

(b) Operating lease commitments

The future aggregate minimum lease payments for land use rights and buildings under non-cancellable operating leases are as follows:

	2016	2015
Not later than one year	1,966	1,975
Later than one year and not later than five years	10,458	11,977
	<u>12,424</u>	<u>13,952</u>

Notes to the consolidated financial statements

32. Significant related-party transactions

Guangzhou R&F is the parent company of the Company, which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who owns 33.52% and 32.02%, respectively, of GZ R&F's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

i) Provision of lease of properties

	2016	2015
Common shareholders:		
广州金典投资有限公司	209	878
A joint venture:		
广州市富景房地产开发有限公司	33	41
Parent company:		
GZ R&F	50,039	68,572

ii) Purchase of construction services

	2016	2015
Fellow subsidiaries:		
广州天力建筑工程有限公司	740,263	334,069
广东恒力建设工程有限公司	130,613	41,290
	870,876	375,359

iii) Purchase of property management services

	2016	2015
Fellow subsidiary:		
广州天力物业发展有限公司	1222	742

iv) Provision of hotel services

	2016	2015
Parent company:		
GZ R&F	17,270	4,482

v) Borrowings guaranteed by a related party

As at 31 December 2016, the Group's borrowings of RMB10,096,783,000 was guaranteed by GZ R&F (2015: RMB8,188,960,000).

vi) Loans provided to related parties

During 2016, two inter-company loans were provided to 无锡天润福源房地产开发有限公司("无锡天润") and 北京富力城房地产开发有限公司("北京富力城") and repayable on demand. As at 31 December 2016, the balances due from 无锡天润 and 北京富力城 were RMB889,818,000 and RMB880,816,000, respectively.

vii) Interest income on loans to related parties

	2016	2015
Fellow subsidiaries:		
无锡天润	42,118	-
北京富力城	10,859	-
	52,977	-

The effective interest rate for the year ended 31 December 2016 was 5.43% (2015: nil).

Notes to the consolidated financial statements

32. Significant related-party transactions (continued)

viii) Balances with related parties

As at 31 December 2016, the Group had the following significant balances with related parties:

	2016	2015
Due from:		
Parent company:		
- Trade balance		
GZ R&F	13,783	10,827
Fellow subsidiaries:		
- Non-trade balances		
杭州联富房地产开发有限公司	2,306,000	662,000
广州富力超盛置业发展有限公司	906,746	906,746
广州富力嘉盛置业发展有限公司	559,620	559,640
无锡富力通达房地产开发有限公司	558,040	-
广州德和投资发展有限公司	176,381	176,381
宁波品富房地产开发有限公司	121,500	-
湖州联富房地产开发有限公司	92,000	86,800
广州市富泉房地产开发有限公司	76,202	76,202
广州富力创盛置业发展有限公司	32,345	32,672
北京恒富物业服务有限公司沈阳分公司	13,314	11,163
广州天力物业发展有限公司杭州分公司	6,500	1,000
海南富力房地产开发有限公司	6,000	387,938
广州市住宅建筑设计院有限公司	567	567
广州市东园房地产开发有限公司	50	50
无锡天润	-	717,200
北京富力城	-	119,986
杭州瑞富房地产开发有限公司	-	142,000
重庆富力房地产开发有限公司	-	54,600
湖州富力房地产开发有限公司	-	2,000
	4,855,265	3,936,945
Fellow subsidiaries:		
- Inter-company loans		
无锡天润	889,816	-
北京富力城	880,816	-
	1,770,634	-
Associate:		
- Non-trade balance		
海南协兴地产发展(香港)有限公司	10,604	-
Joint ventures:		
- Non-trade balances		
Hines Shanghai	187,957	170,330
和荣有限公司	103,181	-
富力(沈阳)房地产开发有限公司	30,093	-
	321,231	170,330
	6,971,717	4,116,102

Notes to the consolidated financial statements

32. Significant related-party transactions (continued)

viii) Balances with related parties (continued)

Due to:

Parent company:

- Non-trade balances
GZ R&F

4,348,324 44,746

Fellow subsidiaries:

- Non-trade balances

湖州富力房地产开发有限公司

460,000 -

杭州启富房地产开发有限公司

412,960 -

海南那甲旅业开发有限公司

237,000 17,083

重庆富力房地产开发有限公司

87,892 -

富力(北京)地产开发有限公司

72,969 140,000

杭州瑞富房地产开发有限公司

32,100 -

天津富力城房地产开发有限公司

14,832 14,832

广州富力智盛置业发展有限公司

546 546

广州富力美好置业发展有限公司

150 -

宁波富力房地产开发有限公司

40 -

广州富力亿盛置业发展有限公司

10 -

广州市吉浩源房地产开发有限公司

5 5

海南陵水富力湾开发有限公司

- 31,927

1,318,504 204,393

Associates:

- Non-trade balances

海南怡丰房地产发展(香港)公司

- 44,749

海南协兴地产发展(香港)有限公司

- 17,005

- 61,754

Joint ventures:

- Non-trade balances

和策有限公司

- 133,370

富力(沈阳)房地产开发有限公司

- 231,453

- 364,823

5,666,828 675,716

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms.

The trade balances with related parties are interest free, unsecured and to be settled based on the respective contractual terms.

The inter-company loans provided to related parties are interest bearing, unsecured and repayable on demand.

Report on review of consolidated financial statements

To the Board of Director of R&F Properties (HK) Company Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the consolidated financial statements set out on pages 2 to 47, which comprise the consolidated balance sheet of R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2015 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The director of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these consolidated financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.



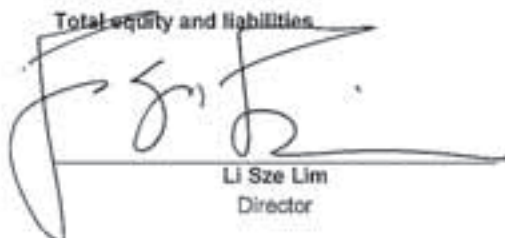
PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 April 2016

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated balance sheet

ASSETS	Note	As at 31 December	
		2015	2014
Non-current assets			
Land use rights	6	411,442	385,044
Property, plant and equipment	7	1,928,312	1,663,019
Investment properties	8	5,248,285	4,994,525
Intangible assets		9,402	4,586
Interests in joint ventures	10	1,852,192	1,677,809
Interests in associates	11	491,294	433,123
Deferred income tax assets	22	349,193	269,978
Trade and other receivables and prepayments	15	-	1,892
		<u>10,290,120</u>	<u>9,449,976</u>
Current assets			
Properties under development	13	9,165,194	7,021,835
Completed properties held for sale	14	1,014,655	848,277
Inventories		8,490	7,586
Trade and other receivables and prepayments	15	4,975,181	6,405,005
Tax prepayments		223,928	74,598
Restricted cash	16	1,014,420	741,706
Time deposits	17	500,000	-
Cash and cash equivalents	18	1,134,037	1,908,679
		<u>18,035,905</u>	<u>17,005,686</u>
Total assets		<u>28,326,025</u>	<u>26,455,662</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	10	10
Other reserves		27,576	5,810
Retained earnings		177,876	2,174,479
		<u>205,452</u>	<u>2,180,289</u>
Non-controlling interests	9	1,188,014	1,181,897
Total equity		<u>1,393,478</u>	<u>3,362,186</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	21	8,200,600	18,488,468
Deferred income tax liabilities	22	1,063,589	1,027,296
		<u>9,264,189</u>	<u>17,515,764</u>
Current liabilities			
Accruals and other payables	20	2,082,306	2,511,933
Deposits received on sale of properties		2,079,079	615,254
Current income tax liabilities	23	491,735	617,155
Short-term borrowings	21	-	1,700,000
Current portion of long-term borrowings	21	13,015,240	133,360
		<u>17,668,360</u>	<u>5,577,702</u>
Total liabilities		<u>26,932,549</u>	<u>23,093,466</u>
Total equity and liabilities		<u>28,326,025</u>	<u>26,455,662</u>


Li Sze Lim
Director

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated income statement

		Year ended 31 December	
	Note	2015	2014
Revenue	5	1,372,798	2,012,886
Cost of sales	25	(1,037,577)	(1,281,042)
Gross profit		335,221	731,844
Other income and other gains - net	24	281,747	158,925
Selling and marketing costs	25	(117,189)	(97,334)
Administrative expenses	25	(329,925)	(291,006)
Operating profit		169,854	502,429
Finance costs	27	(2,427,886)	(1,507,587)
Share of results of joint ventures	10	174,383	89,873
Share of results of associates	11	(1,353)	(24,203)
Loss before income tax		(2,085,002)	(939,488)
Income tax credits/(expenses)	28	92,109	(39,487)
Loss for the year		(1,992,893)	(978,975)
Loss attributable to:			
– Owners of the Company		(1,996,603)	(955,341)
– Non-controlling interests		3,710	(23,634)
		(1,992,893)	(978,975)

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2015	2014
Loss for the year	(1,992,893)	(978,975)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss</i>		
– Currency translation differences	24,173	5,817
Other comprehensive income for the year	24,173	5,817
Total comprehensive loss for the year	(1,968,720)	(973,158)
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	(1,972,834)	(949,531)
– Non-controlling interests	3,914	(23,627)
	(1,968,720)	(973,158)

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
Balance at 1 January 2014	10	-	3,129,820	3,129,830	1,205,524	4,335,354
Comprehensive income						
Loss for the year	-	-	(955,341)	(955,341)	(23,634)	(978,975)
Currency translation differences	-	5,810	-	5,810	7	5,817
Total comprehensive income	-	5,810	(955,341)	(949,531)	(23,627)	(973,158)
Balance at 31 December 2014	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Balance at 1 January 2015	10	5,810	2,174,479	2,180,299	1,181,897	3,362,196
Comprehensive income						
(Loss)/profit for the year	-	-	(1,996,603)	(1,996,603)	3,710	(1,992,893)
Currency translation differences	-	23,969	-	23,969	204	24,173
Total comprehensive income	-	23,969	(1,996,603)	(1,972,634)	3,914	(1,968,720)
Transactions with owners						
Changes in ownership interests in subsidiaries without change of control	-	(2,203)	-	(2,203)	2,203	-
Total transactions with owners	-	(2,203)	-	(2,203)	2,203	-
Balance at 31 December 2015	10	27,576	177,876	205,462	1,188,014	1,393,476

The notes on pages 7 to 47 are an integral part of these financial statements.

R&F PROPERTIES (HK) COMPANY LIMITED
(All amounts in RMB Yuan thousands unless otherwise stated)

Consolidated statement of cash flows

		Year ended 31 December	
	Note	2015	2014
Cash flows from operating activities			
Cash used in operations	29	(889,944)	(3,878,418)
Interest paid		(2,176,914)	(1,860,865)
Enterprise income tax and land appreciation tax paid		(146,307)	(836,250)
Net cash used in operating activities		(3,013,165)	(6,373,533)
Cash flows from investing activities			
Purchases of property, plant and equipment		(303,940)	(93,548)
Purchases of intangible assets and land use rights		(45,056)	(1,195)
Proceeds on disposals of property, plant and equipment		714	16,835
Investment in a joint venture		-	(280,266)
Proceeds on disposals of interests in a joint venture		-	54,154
Acquisition of associates		(59,524)	-
Cash repayments from related parties		(2,909,830)	(2,045,729)
Cash advanced to related parties		3,912,197	3,797,254
Increase in time deposits		(500,000)	-
Interest received		12,145	50,979
Net cash generated from investing activities		106,708	1,498,484
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		6,210,000	9,985,968
Repayments of borrowings		(4,105,160)	(6,499,322)
(Increase)/decrease in guarantee deposits related to borrowings		(41,289)	832,494
Net cash generated from financing activities		2,063,551	4,319,140
Net decrease in cash and cash equivalents		(842,908)	(555,909)
Exchange gains on cash and cash equivalents		70,286	29,284
Cash and cash equivalents at beginning of year		1,906,679	2,433,324
Cash and cash equivalents at end of year	18	1,134,037	1,906,679

The notes on pages 7 to 47 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

R&F Properties (HK) Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in the development and sale of properties, property investment, hotel operations and other property development related services in the People's Republic of China (the "PRC").

The Company was incorporated in Hong Kong on 25 August 2005 as a company with limited liability.

The address of its registered office is Room 1103, YueXiu Building, 160-174 Lockhart Road, Wanchai, Hong Kong.

Principal subsidiaries of the Group are listed in Note 9.

These consolidated financial statements are presented in RMB Yuan ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Director (the "Board") on 29 April 2016.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements for the year ended 31 December 2015 has been prepared for financing purpose. The Company, as a wholly owned subsidiary of Guangzhou R&F Properties Co., Ltd. ("GZ R&F"), has applied section 379(3) of the Companies Ordinance to prepare company level financial statements as the Company's statutory financial statements. Consequently, this consolidated financial statements and the comparatives do not constitute the Company's statutory financial statements for either of the years ended 31 December 2015 or 2014. Information relating to the Company's statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As the Company is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on the company level financial statements for the year ended 31 December 2014. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

2.1.1 Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015.

<u>Standards</u>	<u>Subject</u>
Amendment to HKAS 19	Defined benefit plans
Annual improvements 2012	Annual improvements 2010–2012 cycle
Annual improvements 2013	Annual improvements 2011–2013 cycle

The adoption of amended standards has no material impact on the Group's financial statements except for disclosure.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards and annual improvements not yet adopted

A number of new standards, amendments to standards and annual improvements are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the Group's consolidated financial statements. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial statements will be resulted in.

<u>Standards</u>	<u>Subject</u>	<u>Effective for annual periods beginning on or after</u>
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2015
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements 2012–2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of controls are accounted for as equity transactions— that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in ownership interests in subsidiaries without change of control. Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Director who makes strategic decisions.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB Yuan, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance costs". All other foreign exchange gains and losses are presented in the income statement within "other income and other gains - net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

Buildings comprise mainly office buildings and hotel buildings.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains - net" in the income statement.

Assets under construction mainly represent hotel buildings under construction and are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land being developed and interest charges arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other income and other gains - net".

2.9 Intangible assets

The Group's intangible assets comprise computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group's financial assets comprise loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables and prepayments", "time deposits", "cash and cash equivalents" and "restricted cash" in the balance sheet.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.12 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets

Assets carried at amortised cost:

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.15 Land use rights

All lands in the PRC are stated-owned and no individual ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights.

Land use rights which are held for self-use are stated at cost and amortised over the use terms of 40 to 70 years using straight-line method. Land use rights which are held for development for sale are inventories and measured at lower of cost and net realisable value. Land use rights are transferred to properties under development upon commencement of development.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.16 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties in the ordinary course of business, less applicable variable selling expense and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises costs of land use rights, construction costs, capitalised finance costs and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle.

2.17 Completed properties held for sale

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

2.18 Inventories

Inventories principally comprise materials held for hotel operations, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Trade and other receivables

Trade receivables are amounts due from customers in respect of sale of properties and provision of hotel service performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.22 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

(c) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all eligible employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK\$1,500. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.27 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

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

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(a) Sale of properties

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

(b) Rental income

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

(c) Hotel operations

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

(d) Interest income

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

(e) Dividend income

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

2.29 Leases

(a) The Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the balance sheet based on the nature of the assets. Lease income is recognised in the income statement on a straight-line basis over the term of the lease.

Notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

2.30 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investments in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC, Malaysia and Australia, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the HK dollars ("HKD"), US dollars ("USD"), Malaysia ringgits ("MYR"), Singapore dollars ("SGD") and Australian dollars ("AUD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has not hedged its foreign exchange rate risk exposure. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2015 with all other variables held constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	1,568	(1,568)
Accruals and other payables	(8,680)	8,680
Denominated in USD		
Cash and cash equivalents	220	(220)
Restricted cash	23,263	(23,263)
Borrowings	(479,133)	479,133
Denominated in MYR		
Cash and cash equivalents	978	(978)
Restricted cash	74	(74)
Trade and other receivables	26	(26)
Accruals and other payables	(194)	194
Denominated in AUD		
Cash and cash equivalents	447	(447)
Restricted cash	168	(168)
Trade and other receivables	300	(300)
Accruals and other payables	(698)	698
Denominated in SGD		
Cash and cash equivalents	16	(16)
Trade and other receivables	5	(5)
Accruals and other payables	(30)	30

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The table below summarises the impact of changes in foreign exchange rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	RMB against the foreign currency weaken by 5% strengthen by 5% increase/(decrease) in post-tax profit for the year	
Denominated in HKD		
Cash and cash equivalents	233	(233)
Accruals and other payables	(15,968)	15,968
Denominated in USD		
Cash and cash equivalents	12,757	(12,757)
Restricted cash	20,619	(20,619)
Borrowings	(449,539)	449,539
Denominated in MYR		
Cash and cash equivalents	1,539	(1,539)
Trade and other receivables	499	(499)
Accruals and other payables	(666)	666
Denominated in AUD		
Cash and cash equivalents	352	(352)
Accruals and other payables	(500)	500
Denominated in SGD		
Cash and cash equivalents	10	(10)
Trade and other receivables	5	(5)
Accruals and other payables	(151)	151

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During 2015 and 2014, the Group's borrowings at variable rate were denominated in RMB.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

The table below summarises the impact of changes in interest rate at 31 December 2015 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate 25 basis points higher 25 basis points lower increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(12,500)	12,500

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Cash flow and fair value interest rate risk (continued)

The table below summarises the impact of changes in interest rate at 31 December 2014 with all other variables held at constant on the Group's post-tax profit for the year.

	Interest rate	
	25 basis points higher	25 basis points lower
	increase/(decrease) in post-tax profit for the year	
Long-term borrowings at variable rates	(8,662)	8,662

(b) Credit risk

The extent of the Group's maximum exposure to credit risk in relation to financial assets is aggregate carrying value of cash deposits in banks and trade and other receivables. To manage the exposure, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and deposits are placed with high-credit-quality banks.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties. Management does not expect any losses from non-performance by the banks and financial institutions, as they are of good credit standing. The Group closely monitors repayment progress of customers in accordance with the terms as specified in the enforceable contracts. Meanwhile, the Group has the right to cancel the contracts once repayment from the customers is in default. As at 31 December 2015, four customer accounted for more than 5% of the Group's trade receivables (31 December 2014: one).

In addition, the Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. The Group also provides guarantee to a joint venture for borrowing.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalent, including proceeds from pre-sale of properties, short-term and long-term borrowings, available funding through adequate amount of credit lines for which the Group has obtained non-binding letters of intent or strategic cooperation letters from certain domestic banks, to meet its construction and investment commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, accelerating sales of properties with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposing of certain investment properties with acceptable prices to the Group. The Group will, based on its assessment of the relevant costs and benefits, pursue such options as are appropriate.

During the year, the Group met the requirements for interest payments and principal repayments due on its borrowings. Based on the Group's accounting policy on borrowings described in Note 2.23 and certain terms and conditions in the relevant agreements, borrowings of RMB 10.3 billion that have original contractual maturity after 31 December 2016 (out of the total related principal amount of RMB 12.8 billion) were reclassified as current liabilities as at 31 December 2015.

In preparing these financial statements, the Director has taken into account all information that could reasonably be expected to be available and have ascertained that the Group will have adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Besides, Guangzhou R&F, its parent Company, successfully issued long-term PRC bonds of RMB9,600,000,000 in January 2016. Under these circumstances, the Director is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months from 31 December 2015.

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Group					
At 31 December 2015					
Borrowings(Note (1))	15,124,278	1,496,023	2,706,425	8,020,221	27,346,947
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,017,096	-	-	-	2,017,096
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	2,439,760	-	-	-	2,439,760
Guarantees in respect of borrowings of a joint venture	437,283	-	-	-	437,283
At 31 December 2014					
Borrowings(Note (1))	4,302,584	3,790,529	10,287,340	7,932,599	26,313,052
Financial liabilities as included in accruals and other payables (excluding accruals for staff costs and allowance and other taxes payable)	2,459,293	-	-	-	2,459,293
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties	1,637,217	-	-	-	1,637,217
Guarantees in respect of borrowings of joint ventures	29,102	545,130	-	-	574,232

Note(1): Interest on borrowings is calculated on borrowings held as at 31 December 2015 and 2014 respectively. Floating-rate interest is estimated using the current interest rate as at 31 December 2015 and 2014 respectively.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

As at 31 December 2015, the Group's working capital was mainly financed by bank borrowings and senior notes (Note 21).

3.3 Fair value estimation

The Group's financial instruments recognised in the consolidated balance sheet are mainly receivables and financial liabilities carried at amortised cost. The fair values of these financial instruments approximate their carrying amounts.

Financial instruments carried at fair value are disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the consolidated financial statements

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

See Note 8 for disclosures of the investment properties that are measured at fair value.

4. Critical accounting estimates and judgements

Estimates and judgements used are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

(b) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC which has been included in income tax expenses of the Group. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns for certain years with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions for land appreciation taxes in the period in which such determination is made.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgments and assumptions have been disclosed in Note 8.

(d) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties underdevelopment, completed properties held for sale and long-term assets held for hotel operations are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amounts, taking into account for costs to completion based on past experience and net sales values based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operations have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2015, no impairment was provided for properties under development, completed properties held for sale or long-term assets held for hotel operations (2014: Nil).

Notes to the consolidated financial statements

5. Segment information

The chief operating decision-maker has been identified as the Director. Management has determined the operating segments based on the information reviewed by the Director for the purpose of allocating resources and assessing performance.

As almost the entire Group's consolidated revenue and results are attributable to the market in the PRC and almost all of the Group's consolidated assets are located in the PRC, the Director considers the business mainly from product perspective. The Group is principally engaged in the property development, property investment and hotel operations.

The Director assesses the performance of the operating segments based on a measure of profit for the year.

The segment information provided to the Director for the reportable segments for the year ended 31 December 2015 and the segment assets and liabilities at 31 December 2015 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment revenue from external customers	515,789	297,646	558,520	843	1,372,798
(Loss)/profit for the year	(2,200,594)	332,950	(123,797)	(1,452)	(1,992,893)
Finance costs	(2,208,770)	(47,443)	(171,872)	(1)	(2,427,886)
Share of results of joint ventures	174,383	-	-	-	174,383
Share of results of associates	(1,353)	-	-	-	(1,353)
Income tax credits/(expenses)	180,577	(104,546)	15,525	553	92,109
Depreciation and amortisation	(10,951)	(1,407)	(58,531)	(5)	(70,894)
(Allowance for)/reversal of allowance for impairment losses of receivables	(3,574)	-	187	(1)	(3,388)
Fair value gains on investment properties - net of tax	-	191,789	-	-	191,789
Segment assets	20,099,139	5,229,158	2,604,464	44,071	27,976,832
Segment assets includes:					
Interests in joint ventures	1,852,192	-	-	-	1,852,192
Interests in associates	491,294	-	-	-	491,294
Additions to non-current assets (other than financial instruments and deferred tax assets)	25,467	-	326,673	16	352,156
Segment liabilities	3,962,480	-	125,335	73,570	4,161,385

Notes to the consolidated financial statements

5. Segment information (continued)

The segment information provided to the Director for the reportable segments for the year ended 31 December 2014 and the segment assets and liabilities at 31 December 2014 are as follows:

	Property development	Property investment	Hotel operations	All other segments	Group
Segment Revenue from external customers	1,199,905	285,883	527,032	66	2,012,886
(Loss)/profit for the year	(1,028,841)	226,729	(175,933)	(930)	(978,975)
Finance costs	(1,271,619)	(43,028)	(192,940)	-	(1,507,587)
Share of results of joint ventures	89,873	-	-	-	89,873
Share of results of associates	(24,203)	-	-	-	(24,203)
Income tax credits/(expenses)	22,717	(75,556)	13,352	-	(39,487)
Depreciation and amortisation	(13,076)	(1,409)	(55,039)	(69)	(69,593)
Allowance for impairment losses of receivables	(1,294)	-	(25)	-	(1,319)
Fair value gains on investment properties - net of tax	-	68,366	-	-	68,366
Segment assets	17,801,575	4,994,525	3,238,554	151,030	26,185,684
Segment assets includes:					
Interests in joint ventures	1,677,809	-	-	-	1,677,809
Interests in associates	433,123	-	-	-	433,123
Additions to non-current assets (other than financial instruments and deferred tax assets)	123,053	-	-	83	123,136
Segment liabilities	2,937,504	-	150,160	39,523	3,127,187

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Director is measured in a manner consistent with that in the income statement.

The amounts provided to the Director with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred tax assets are not considered to be segment assets but rather are managed on a central basis.

Reportable segments' assets are reconciled to total assets as follows:

	2015	2014
Segment assets for reportable segments	27,976,832	26,185,684
Deferred income tax assets	349,193	269,978
Total assets per balance sheet	28,326,025	26,455,662

The amounts provided to the Director with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's income tax liabilities and interest-bearing liabilities are not considered to be segment liabilities but rather are managed on a central basis.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015	2014
Segment liabilities for reportable segments	4,161,385	3,127,187
Deferred income tax liabilities	1,063,589	1,027,296
Current income tax liabilities	491,735	617,155
Current borrowings	13,015,240	1,833,360
Non-current borrowings	8,200,600	16,488,468
Total liabilities per balance sheet	26,932,549	23,093,466

Notes to the consolidated financial statements

5. Segment information (continued)

Entity-Wide information

Breakdown of revenue from all services is as follows:

Analysis of revenue by category	2015	2014
Sale of properties	515,789	1,199,905
Rental income	297,646	285,883
Hotel operations	558,520	527,032
All other segments	843	66
	<u>1,372,798</u>	<u>2,012,886</u>

Revenue from external customers by country, based on the destination of the customer:

	2015	2014
PRC	1,371,155	2,012,886
Other countries	1,643	-
Total	<u>1,372,798</u>	<u>2,012,886</u>

Revenues from the individual countries included in "other countries" are not material. There was no revenue derived from a single external customer accounting for 10% or more of the Group's revenues for the year ended 31 December 2015 (2014: Nil).

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), by country:

	2015	2014
PRC	9,934,033	9,178,106
Other countries	6,894	-
Total	<u>9,940,927</u>	<u>9,178,106</u>

Non-current assets in the individual countries included in "other countries" are not material.

6. Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2015	2014
At 1 January	385,044	397,334
Additions	38,817	-
Amortisation of prepaid operating lease payments	(12,419)	(12,290)
At 31 December	<u>411,442</u>	<u>385,044</u>

Land use rights are amortised in the following categories:

	2015	2014
Selling and administrative expenses	1,407	1,408
Cost of sales	7,852	7,437
Capitalised in property, plant and equipment	3,160	3,445
	<u>12,419</u>	<u>12,290</u>

Borrowings are secured on land use rights for the carrying amount of RMB255,852,000 (2014: RMB222,481,000).

Notes to the consolidated financial statements

7. Property, plant and equipment

	Office buildings	Hotel buildings	Furniture, fixtures and equipment	Transportation equipment	Assets under construction	Total
At 1 January 2014						
Cost	182,446	1,465,824	182,451	34,801	257,477	2,122,999
Accumulated depreciation	(35,048)	(261,288)	(153,587)	(27,548)	-	(477,471)
Net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Year ended 31 December 2014						
Opening net book amount	147,398	1,204,536	28,864	7,253	257,477	1,645,528
Additions	-	-	6,364	8,399	107,178	121,941
Transfer from properties under development	-	889	-	-	-	889
Transfer to property under development	-	(18,653)	-	-	-	(18,653)
Disposals	-	-	(7,083)	-	-	(7,083)
Depreciation	(5,762)	(45,549)	(1,880)	(6,432)	-	(59,623)
Closing net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
At 31 December 2014						
Cost	182,446	1,448,080	181,018	43,200	364,655	2,219,379
Accumulated depreciation	(40,810)	(306,837)	(154,733)	(33,980)	-	(536,360)
Net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Year ended 31 December 2015						
Opening net book amount	141,636	1,141,223	26,285	9,220	364,655	1,683,019
Additions	10,341	-	89,299	1,719	205,741	307,100
Transfer from assets under construction	-	570,396	-	-	(570,396)	-
Disposals	-	-	(717)	-	-	(717)
Depreciation	(5,777)	(45,180)	(6,154)	(3,102)	-	(60,213)
Currency translation differences	-	-	(393)	(484)	-	(877)
Closing net book amount	146,200	1,666,439	108,320	7,353	-	1,828,312
At 31 December 2015						
Cost	192,788	2,018,455	299,071	44,263	-	2,524,577
Accumulated depreciation	(46,588)	(352,016)	(190,751)	(36,910)	-	(596,265)
Net book amount	146,200	1,666,439	108,320	7,353	-	1,828,312

Depreciation expense has been charged in the following categories:

	2015	2014
Administrative expenses	10,429	11,318
Cost of sales	49,784	48,307
	<u>60,213</u>	<u>59,623</u>

Assets under construction mainly represent building costs and other costs incurred for the construction of hotel buildings. For the year ended 31 December 2015, no borrowing costs were capitalised in assets under construction (2014: RMB28,393,000).

Borrowings are secured by buildings with a carrying amount of RMB1,208,117,000 (2014: RMB1,141,223,000).

Notes to the consolidated financial statements

8. Investment properties

	2015	2014
	Completed properties	Completed properties
Opening balance at 1 January	4,994,525	4,903,370
Fair value gains	253,760	91,155
Closing balance at 31 December	5,248,285	4,994,525
Total gains for the year included in profit or loss under "other income and other gains - net"	253,760	91,155
Change in unrealised gains or losses for the year included in profit or loss for assets held at end of the year	253,760	91,155

(a) Amounts recognised in the consolidated income statement for investment properties:

	2015	2014
Rental income	297,646	285,883
Direct operating expenses arising from investment properties that generate rental income	(26,515)	(25,290)
Direct operating expenses that did not generate rental income	(23,283)	(15,573)

As at 31 December 2015, the Group had no unprovided contractual obligations for future repairs and maintenance (2014: Nil).

(b) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by independent, professionally qualified valuers to determine the fair value of the investment properties as at 31 December 2015 and 2014. The revaluation gains or losses are included in "other income and other gains - net".

As at 31 December 2015 and 2014, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuations were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year.

(c) Valuation processes of the Group

The Group's investment properties were revalued on 31 December 2015 and 2014 by independent, professionally qualified valuers not related to the Group, who hold a relevant recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("CFO") and the audit committee. Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation reports;
- Assesses property valuations movements when compared to the prior year valuation reports;
- Holds discussion with the independent valuers.

Changes in level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Notes to the consolidated financial statements

8. Investment properties (continued)

(d) Valuation techniques

For completed office and retail buildings, the valuations were based on term and reversionary method. This method is based on the tenancy schedules as at the respective valuation dates by adopting term rates and the reversionary income potential by adopting appropriate capitalisation rates for the remaining land use rights term, which are derived from the analysis of prevailing market rents and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For car parks, valuations are determined using the direct comparison method. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre.

There were no changes to the valuation techniques during the year.

(e) Information about fair value measurements using significant unobservable inputs (level 3) :

Description		Fair value at 31 December 2015	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	4,398,453	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	39,400-59,000	The higher the market price, the higher the fair value
Completed investment properties	Retail	558,236	Term and reversionary method	Term yields	6.50%	The higher the term yields, the lower the fair value
				Reversionary yields	8.50%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	160-279	The higher the market rents, the higher the fair value
	Carpark	291,596	Direct comparison method	Market price (RMB/square metre)	10,012	The higher the market price, the higher the fair value
Description		Fair value at 31 December 2014	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Office	4,090,434	Term and reversionary method	Term yields	7.25%	The higher the term yields, the lower the fair value
				Reversionary yields	7.25%	The higher the reversionary yields, the lower the fair value
				Market price (RMB/square metre)	37,200-55,300	The higher the market price, the higher the fair value
Completed investment properties	Retail	557,484	Term and reversionary method	Term yields	6.50%-7.00%	The higher the term yields, the lower the fair value
				Reversionary yields	6.50%	The higher the reversion yields, the lower the fair value
				Market rents (RMB/square metre/month)	164 - 277	The higher the market rents, the higher the fair value
	Carpark	346,607	Direct comparison method	Market price (RMB/square metre)	10,012	The higher the market price, the higher the fair value

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

Notes to the consolidated financial statements

8. Investment properties (continued)

(f) Investment properties pledged as security

Borrowings are secured on investment properties for the value of RMB 4,870,117,000 (2014: Nil).

9. Subsidiaries

(a) The following is a list of principal subsidiaries at 31 December 2015:

Company name	Date of incorporation / establishment	Legal status	Issued/ registered and fully paid up capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the PRC:					
广州泰景房地产开发有限公司 (“泰景”)	27 August 2007	Limited liability company	USD80,000,000	75%	Property development in the PRC
广州富力兴盛置业发展有限公司 (“兴盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of office buildings in the PRC
广州富力恒盛置业发展有限公司 (“恒盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
广州富力鼎盛置业发展有限公司 (“鼎盛”)	9 January 2004	Sino-foreign joint venture with limited liability	USD6,500,000	75%	Development and investment of hotel buildings in the PRC
海南慕逸生态科技有限公司	27 January 1994	Limited liability company	HKD15,000,000	100%	Property development in the PRC
杭州富力房地产开发有限公司	19 December 2012	Limited liability company	USD120,000,000	100%	Property development in the PRC
杭州银富房地产开发有限公司	27 February 2013	Limited liability company	USD75,000,000	100%	Property development in the PRC
杭州品富房地产开发有限公司	4 September 2013	Limited liability company	USD64,500,000	100%	Property development in the PRC
无锡悦富房地产开发有限公司	16 December 2013	Limited liability company	USD300,000,000	100%	Property development in the PRC
重庆富力康盛房地产开发有限公司	28 January 2014	Limited liability company	RMB794,540,000	100%	Property development in the PRC
沈阳亿隆房屋开发有限公司	12 December 2001	Limited liability company	RMB20,000,000	100%	Property development in the PRC

Notes to the consolidated financial statements

9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2015: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in the British Virgin Islands ("BVI")					
Value Success Investments Limited ("Value Success")	1 September 2006	Limited liability company	USD10,000	100%	Investment holding in BVI
Palace View Investments Limited	21 March 2006	Limited liability company	USD1	100%	Investment holding in BVI
Big Will Investments Limited	2 November 2007	Limited liability company	USD1	100%	Investment holding in BVI
Calfu Holdings Limited	2 January 2013	Limited liability company	USD1	100%	Investment holding in BVI
Trillion Chance Limited	31 October 2013	Limited liability company	USD1	100%	Investment holding in BVI
Subsidiaries – incorporated in Malaysia:					
R&F Development SDN BHD	29 November 2013	Limited liability company	MYR 500,000	100%	Property development in Malaysia
R&F Mega Realty SDN BHD	27 January 2014	Limited liability company	MYR 2	100%	Property development in Malaysia

Notes to the consolidated financial statements

9. Subsidiaries (continued)

(a) The following is a list of principal subsidiaries at 31 December 2015: (continued)

Company name	Date of incorporation / establishment	Legal status	Issued/registered capital	Attributable equity interests, direct	Principal activities and place of operations
Subsidiaries – incorporated in Australia:					
R&F Development Holdings Pty Ltd.	30 May 2014	Limited liability company	AUD1	100%	Investment holdings in the Australia
R&F Property Pty Ltd.	15 June 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Estate Pty Ltd.	07 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Property Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Realty Pty Ltd.	14 July 2014	Limited liability company	AUD100	100%	Property development in Australia
R&F Mega Estate Pty Ltd.	23 September 2014	Limited liability company	AUD100	100%	Property development in Australia
Subsidiaries – incorporated in Singapore:					
R&F Development PTE LTD.	17 April 2014	Limited liability company	SGD1	100%	Marketing development in Singapore

(b) Material non-controlling interests

The accumulated non-controlling interests as at 31 December 2015 were RMB1,188,014,000 (2014: RMB1,181,897,000). The non-controlling interests in respect of each subsidiary are not individually material to the Group.

On 15 October 2015, the Company acquired an additional 10% of the issued capital of certain Australian subsidiaries for an aggregate purchase consideration of AUD70. Upon completion of the acquisition, the Group wholly owned these Australian subsidiaries and recognised a decrease in equity attributable to owners of the company of RMB2,203,000.

Notes to the consolidated financial statements

10. Interests in joint ventures

	2015	2014
At 1 January	1,677,809	1,361,824
Additions	-	280,286
Acquisition of remaining interests in a joint venture	-	(54,154)
Share of results	174,383	89,873
At 31 December	1,852,192	1,677,809

As at 31 December 2015, the Group's interests in joint ventures, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the profit from continuing operations and total comprehensive income of these joint ventures for the year ended 31 December 2015 was RMB 174,383,000 (2014: RMB 89,873,000).

Pursuant to the relevant joint venture agreements, these entities are jointly controlled by the Group and other parties. None of the participating parties has unilateral control over the entities with more than one half of the voting rights.

There were no other contingent liabilities relating to the Group's interests in joint ventures.

11. Interests in associates

	2015	2014
At 1 January	433,123	457,326
Additions (Note (a))	59,524	-
Share of results (Note (b))	(1,353)	(24,203)
At 31 December	491,294	433,123

(a) The Group acquired 15% equity interests in 海南怡丰房地产发展(香港)公司 and 海南协兴地产发展(香港)有限公司 respectively in 2015.

(b) As at 31 December 2015, the Group's interests in associates, which are not individually material to the Group, are accounted for using the equity method. The aggregate amount of the Group's share of both the loss from continuing operations and total comprehensive loss of these associates for the year ended 31 December 2015 was loss of RMB 1,353,000 (2014: loss of RMB 24,203,000).

There were no contingent liabilities relating to the Group's interests in associates.

12. Financial instrument by category

	2015	2014
Loans and receivables		
Trade and other receivables excluding prepayments	4,913,678	6,265,181
Cash and cash equivalents	1,134,037	1,906,679
Restricted cash	1,014,420	741,706
Time deposits	500,000	-
	7,562,135	8,913,566

	2015	2014
Other financial liabilities at amortised cost		
Borrowings(excluding finance lease liabilities)	21,215,840	18,321,828
Accruals and other payables excluding non-financial liabilities	2,017,096	2,459,293
	23,232,936	20,781,121

13. Properties under development

	2015	2014
Amount comprises:		
Land use rights	6,515,254	5,627,795
Construction costs and capitalised expenditures	1,812,932	980,375
Finance costs capitalised	837,008	413,665
	9,165,194	7,021,835

Notes to the consolidated financial statements

13. Properties under development (continued)

All properties under development are expected to be completed within the normal operating cycle.

The capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 7.74% for 2015 (2014: 8.45%)

As at 31 December 2015, properties under development of RMB 2,929,725,000 (2014: RMB1,553,859,000) were pledged as collateral for the Group's borrowings.

14. Completed properties held for sale

	2015	2014
Amount comprises:		
Land use rights	213,250	188,348
Construction costs and capitalised expenditures	744,564	648,361
Finance costs capitalised	56,841	11,568
	<u>1,014,655</u>	<u>848,277</u>

15. Trade and other receivables and prepayments

	2015	2014
Trade receivables		
- Due from parent company	10,827	12,089
- Due from third parties	<u>650,917</u>	<u>768,274</u>
	661,744	780,363
Less: provision for impairment of trade receivables	<u>(2,180)</u>	-
Trade receivables – net (Note (a))	659,564	780,363
Other receivables (Note (b))	151,394	101,262
Prepayments (Note (d))	61,503	141,716
Due from joint ventures	170,330	189,524
Due from associates	-	10,000
Due from parent company	-	3,062,413
Due from fellow subsidiaries	3,936,945	2,124,966
Less: allowance for impairment of other receivables	<u>(4,555)</u>	<u>(3,347)</u>
Total	4,975,181	6,406,897
Less: non-current portion	-	<u>(1,892)</u>
Current portion	<u>4,975,181</u>	<u>6,405,005</u>

The carrying amounts of trade and other receivables approximate their fair values.

(a) Trade receivables

Trade receivables in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements. Generally, purchasers of properties are required to settle the balances within 90 days as specified in the sale and purchase agreements. Purchasers of certain office and commercial units are required to settle the outstanding balances within 12 months as specified in the sale and purchase agreements. The ageing analysis of trade receivables is as follows:

	2015	2014
0 to 90 days	95,463	186,451
91 to 180 days	3,939	-
181 to 365 days	33631	543,215
1 year to 2 years	485,732	6,200
Over 2 years	<u>42,979</u>	<u>44,497</u>
	<u>661,744</u>	<u>780,363</u>

Notes to the consolidated financial statements

15. Trade and other receivables and prepayments (continued)

(a) Trade receivables (continued)

Trade receivables are analysed as follows:

	2015	2014
Fully performing under credit terms	155,400	758,930
Past due but not impaired	504,164	21,433
Non-performing and impaired	2,180	-
	<u>661,744</u>	<u>780,363</u>
Less: provision for impairment	(2,180)	-
Trade receivables – net	<u>659,564</u>	<u>780,363</u>

For past due but not impaired receivables, the Group has the right to cancel the sales contracts and take over the legal title of the underlying properties for re-sales. Therefore, the Director considers that the receivables would be recovered and no allowance was made against these receivables as at 31 December 2015 (2014: Nil). The ageing analysis of these trade receivables is as follows:

	2015	2014
1 year to 2 years	485,731	-
Over 2 years	18,433	21,433
	<u>504,164</u>	<u>21,433</u>

As at 31 December 2015, trade receivables of RMB2,180,000 (2014: Nil) were impaired with full allowance for impairment. The individually impaired receivables mainly relate to certain independent customers which are in unexpectedly difficult economic situations. The ageing of these trade receivables is as follows:

	2015	2014
Over 2 years	<u>2,180</u>	<u>-</u>

(b) Other receivables

Other receivables are analysed as follows:

	2015	2014
Fully performing under normal business	146,839	97,915
Non-performing and impaired	4,555	3,347
Other receivables	<u>151,394</u>	<u>101,262</u>
Less: allowance for impairment	(4,555)	(3,347)
Other receivables – net	<u>146,839</u>	<u>97,915</u>

Movements on the allowance for impairment of other receivables are as follows:

	2015	2014
At 1 January	3,347	2,028
Allowance for doubtful debts	<u>1,208</u>	<u>1,319</u>
At 31 December	<u>4,555</u>	<u>3,347</u>

(c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

(d) Prepayments are mainly for acquisitions of land use rights.

(e) The carrying amounts of the Group's trade and other receivables, including amounts due from related parties, are denominated in the following currencies:

	2015	2014
RMB	4,904,838	6,251,713
AUD	8,011	7
MYR	687	13,318
SGD	<u>142</u>	<u>143</u>
	<u>4,913,678</u>	<u>6,265,181</u>

Notes to the consolidated financial statements

16. Restricted cash

	2015	2014
Guarantee deposits for construction of pre-sold properties (Note (a))	370,917	191,503
Guarantee deposits for interests of senior notes (Note(b))	583,515	549,831
Guarantee deposits for construction payables (Note (c))	10,691	-
Guarantee deposits for borrowings (Note (d))	7,605	-
Others(Note (e))	41,892	372
	<u>1,014,420</u>	<u>741,706</u>

(a) In accordance with the relevant documents issued by the local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related pre-sold properties.

(b) According to the relevant contract, the Group is required to place at a designated bank account certain cash deposits as security for payment of interest of senior notes. Such guarantee deposits will only be released after redemption of senior notes.

(c) According to the relevant construction contracts, certain property development companies of the Group are required to place at designated bank accounts certain amount of the construction payables as deposits as cash collateral. Such guarantee deposits will only be released after settlement of the construction payables.

(d) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

(e) Others mainly include guarantee deposits for letter of credit and deposits for capital account. The use of deposits for capital account is restricted to payment of land use rights and construction costs.

The restricted cash is denominated in the following currencies:

	2015	2014
RMB	387,623	191,875
USD	620,343	549,831
AUD	4,492	-
MYR	1,952	-
	<u>1,014,420</u>	<u>741,706</u>

The Director of the Group is of the view that the restricted cash listed above will be released within one year.

17. Time deposits

As at 31 December 2015, the initial terms of the Group's time deposits were six months. These time deposits are denominated in RMB.

18. Cash and cash equivalents

	2015	2014
Cash at bank and on hand	936,979	1,906,679
Short-term bank deposits	197,058	-
	<u>1,134,037</u>	<u>1,906,679</u>

Notes to the consolidated financial statements

18. Cash and cash equivalents (continued)

	2015	2014
Denominated in:		
— RMB	1,047,934	1,509,569
— USD	5,863	340,192
— MYR	26,092	41,033
— AUD	11,918	9,393
— HKD	41,811	6,216
— SGD	419	276
	<u>1,134,037</u>	<u>1,906,679</u>

The conversion of RMB and MYR denominated balances into foreign currencies and the remittance of these foreign currencies denominated bank balances and cash out of the PRC and Malaysia are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC and Malaysian governments.

The cash at bank balances are deposited with creditworthy banks with no recent history of default.

19. Share capital

	Number of shares (thousands)	Share capital
At 31 December 2015 and 2014	<u>10</u>	<u>10</u>

At 31 December 2015 and 2014, the registered, issued and fully paid capital of the Company was HKD10,000, comprising 10,000 ordinary shares.

20. Accruals and other payables

	2015	2014
Amounts due to joint ventures (Notes (a))	364,823	618,398
Amounts due to associates (Notes (a))	61,754	61,749
Amounts due to parent company (Notes (a))	44,746	0
Amounts due to fellow subsidiaries (Notes (a))	204,393	272,830
Construction payables (Note (b))	669,185	873,595
Other payables and accrued charges (Note (c))	737,405	685,361
	<u>2,082,306</u>	<u>2,511,933</u>

(a) The amounts are unsecured, interest free and are repayable on demand.

(b) Construction payables comprise construction costs and other project-related expenses payable which are based on project progress measured by project management team of the Group. Therefore, no ageing analysis is presented.

(c) The balance mainly represents interest payables, accruals and other tax payables excluding income tax.

(d) The carrying amounts of accruals and other payables approximate their fair value.

Notes to the consolidated financial statements

21. Borrowings

	2015	2014
Non-current		
Long-term borrowings		
Bank borrowings (Note (a))		
- Secured	7,738,960	3,634,120
- Unsecured	700,000	-
	<u>8,438,960</u>	<u>3,634,120</u>
Senior notes (Note (b))		
- Secured	<u>12,776,880</u>	<u>11,987,708</u>
Other borrowing (Note (c))		
- Unsecured	-	1,000,000
Less: current portion of long-term borrowings	<u>(13,015,240)</u>	<u>(133,360)</u>
	<u>8,200,600</u>	<u>16,488,468</u>
Current		
Other borrowing		
- Unsecured (Note (c))	-	1,700,000
Current portion of long-term borrowings	<u>13,015,240</u>	<u>133,360</u>
Total borrowings	<u>21,215,840</u>	<u>18,321,828</u>

(a) Bank borrowings

Interest rates on the borrowings are repriced regularly, which gives rise to exposure of the Group's bank borrowings to interest-rate changes. The contractual repricing dates are all within one year.

(i) Movements in bank borrowings are analysed as follows:

	2015	2014
At 1 January	3,634,120	5,173,089
Additions	5,210,000	2,294,427
Repayments	(405,160)	(3,897,322)
Amortisation of transaction costs	-	53,946
At 31 December	<u>8,438,960</u>	<u>3,634,120</u>

(ii) At 31 December 2015, bank borrowings totaling RMB 7,738,960,000 (2014: RMB 3,634,120,000) were secured by the following:

	2015	2014
Secured by the Group		
- Land use rights	255,852	222,481
- Property, plant and equipment	1,208,117	1,141,223
- Investment properties	4,870,117	-
- Properties under development	2,929,725	1,553,859
	<u>9,263,811</u>	<u>2,917,563</u>

(iii) The maturity of bank borrowings is as follows:

	2015	2014
Within 1 year	238,360	133,360
Between 1 and 2 years	1,013,360	83,360
Between 2 and 5 years	1,474,080	980,080
Over 5 years	5,713,160	2,437,320
Total bank borrowings	<u>8,438,960</u>	<u>3,634,120</u>

Notes to the consolidated financial statements

21. Borrowings (continued)

(a) Bank borrowings (continued)

(iv) The carrying amounts of bank borrowings as at 31 December 2015 and 2014 are denominated in RMB.

(v) The effective interest rates of borrowings are as follows:

	2015	2014
RMB bank borrowings	8.32%	8.17%

(vi) The carrying amounts of bank borrowings approximate their fair values.

(b) Senior notes

(i) 2011 Notes

On 29 April 2011, a subsidiary of the Group, Big Will Investments Limited ("Big Will") issued 10.875% senior notes due 29 April 2016 in the aggregate nominal value of USD150,000,000 (equivalent to approximately RMB979,500,000) at par (the "2011 Notes"). The net proceeds of the 2011 Notes, after deducting the transaction costs, amounted to RMB963,828,000.

(ii) 2012 Notes

On 29 August 2012, Big Will issued 10.875% senior notes due 29 April 2016 in the aggregate principal amount of USD238,000,000 (equivalent to approximately RMB1,509,000,000) with the issue price 97.061% of the principal amount, plus accrued interest from (and including) 29 April 2012 to (but excluding) 29 August 2012 (the "2012 Notes"). The net proceeds of the 2012 Notes, after deducting the transaction costs, amounted to RMB1,436,117,000.

Big Will may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price set forth in the offering memorandums of these senior notes at any time before the maturity date.

(iii) 2013 Notes

On 24 January 2013, a subsidiary of the Group, Caifu Holdings Limited ("Caifu") issued 8.75% senior notes due 24 January 2020 in the aggregate nominal value of USD400,000,000 (equivalent to approximately RMB2,511,000,000) at face value (the "Original Notes").

On 6 February 2013, Caifu further issued 8.75% senior notes due 24 January 2020 in the aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,258,000,000) with the issue price 100.5% of the principal amount, plus accrued interest from (and including) 24 January 2013 to (but excluding) 6 February 2013 (the "Additional Notes" and, together with the Original Notes, the "2013 Notes").

The net proceeds of the 2013 Notes, after deducting the transaction costs, amounted to RMB3,708,031,000.

Caifu may at its option redeem the 2013 Notes, in whole or in part, on or after 24 January 2017, or in whole but not in part, prior to 24 January 2017, at a redemption price set forth in the offering memorandums of the 2013 Notes.

(iv) 2014 Notes

On 10 January 2014, a subsidiary of the Group, Trillion Chance Limited ("Trillion Chance") issued 8.5% senior notes due 10 January 2019 in the aggregate principal amount of USD1,000,000,000 (the "2014 Notes"). The net proceeds of the 2014 Notes, after deducting the transaction costs, amounted to RMB5,991,541,000.

Trillion Chance may at its option redeem the 2014 Notes, in whole or in part, on or after 10 January 2017, or in whole but not in part, prior to 10 January 2017, at a redemption price set forth in the offering memorandums of the 2014 Notes.

The 2011, 2012, 2013 and 2014 Notes are jointly guaranteed by certain subsidiaries of the Group and are secured by shares of certain offshore subsidiaries of the Group.

The effective interest rate of senior notes ranged from 8.87% to 12.25% (2014: 7.70% to 12.25%).

Notes to the consolidated financial statements

21. Borrowings (continued)

(b) Senior notes (continued)

(iv) 2014 Notes (continued)

The movements of senior notes are set out below:

	2015	2014
At 1 January	11,987,708	8,521,961
Issuance of the 2014 Notes	-	5,991,541
Redemption of the 2011 Notes	-	(2,612,000)
Interest charged	1,178,648	1,198,121
Interest included in other payables	(1,131,935)	(1,151,817)
Exchange losses	742,459	39,902
At 31 December	12,776,880	11,987,708

The carrying amounts of the Group's senior notes are denominated in USD.

The fair value of the senior notes as at 31 December 2015 amounted to RMB13,252,554,000 (31 December 2014: RMB11,704,025,000). The fair value is determined by reference to the price quotations published by Bloomberg on 31 December 2015 and is within level 1 of the fair value hierarchy.

(c) Other borrowings

The effective interest rate of other borrowings ranged from 6.91% to 7.4% (2014: 7.40% to 12.65%).

The movements of other borrowings are set out below:

	2015	2014
At 1 January	2,700,000	1,000,000
Additions	1,000,000	1,700,000
Repayments	(3,700,000)	-
Interest charged	112,887	136,384
Interest included in other payables	(112,887)	(136,384)
At 31 December	-	2,700,000

The carrying amounts of other borrowings as at 31 December 2015 and 2014 are denominated in RMB.

The carrying amounts of other borrowings approximate their fair values.

22. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets:		
- To be recovered after 12 months	292,498	245,086
- To be recovered within 12 months	56,895	24,892
	349,193	269,978
	2015	2014
Deferred tax liabilities:		
- To be recovered after 12 months	(1,023,716)	(937,217)
- To be recovered within 12 months	(39,873)	(90,079)
	(1,063,589)	(1,027,296)
Deferred tax liabilities – net	(714,396)	(757,318)

Notes to the consolidated financial statements

22. Deferred income tax (continued)

The gross movements on the deferred income tax account are as follows:

	2015	2014
At 1 January	(757,318)	(759,768)
Income statement credits	45,439	2,450
Currency translation differences	(2,517)	-
At 31 December	<u>(714,396)</u>	<u>(757,318)</u>

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax liabilities:

	Timing difference in sales recognition and related cost of sales	Fair values of investment properties over the tax bases	Interest capitalisation and others	Total
At 1 January 2014	58,416	991,459	-	1,049,875
Charged to the income statement	31,663	30,094	5,746	67,503
At 31 December 2014	90,079	1,021,553	5,746	1,117,378
(Credited)/charged to the income statement	(50,206)	41,849	11,674	3,317
At 31 December 2015	<u>39,873</u>	<u>1,063,402</u>	<u>17,420</u>	<u>1,120,695</u>

Deferred tax assets:

	Accruals	Tax losses	Others	Total
At 1 January 2014	213,877	71,849	4,381	290,107
(Charged)/credited to the income statement	(57,510)	129,628	(2,165)	69,953
At 31 December 2014	156,367	201,477	2,216	360,060
Credited to the income statement	25,218	22,538	1,000	48,756
Currency translation differences	-	(2,517)	-	(2,517)
At 31 December 2015	<u>181,585</u>	<u>221,498</u>	<u>3,216</u>	<u>406,299</u>

As at 31 December 2015, deferred income tax assets of RMB 57,106,000 were offset against deferred tax liabilities within the same tax jurisdictions (31 December 2014: RMB 90,082,000).

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

23. Current income tax liabilities

	2015	2014
Land appreciation tax liabilities	475,511	535,047
Income tax liabilities	16,224	62,108
	<u>491,735</u>	<u>617,155</u>

24. Other income and other gains - net

	2015	2014
Fair value gain on investment properties - net	253,760	91,155
Other operating income	15,844	7,019
(Losses)/gains on disposals of property, plant and equipment	(3)	9,772
Interest income	12,145	50,979
Others	1	-
	<u>281,747</u>	<u>158,925</u>

Notes to the consolidated financial statements

25. Expenses by nature

Expenses by nature comprising cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2015	2014
Cost of completed properties sold	589,485	770,838
Hotel management fees	368,734	356,147
Business taxes and other levies	142,636	175,783
Depreciation	60,213	59,623
Employee benefit expenses	136,185	109,627
Advertising costs	31,423	49,088
Amortisation of land use rights and intangible assets	10,681	9,970
Office expenses	10,025	12,263
Allowance for doubtful debts	3,388	1,319
Auditors' remuneration	707	607
— Audit services	594	528
— Non-audit services	113	79
Others	131,214	124,117
	1,484,691	1,669,382

26. Employee benefit expenses

	2015	2014
Wages and salaries	115,770	92,084
Retirement scheme contributions	10,111	6,716
Other allowances and benefits	10,304	10,827
	136,185	109,627

27. Finance costs

	2015	2014
Interest on bank borrowings	424,559	374,350
Interest on senior notes	1,178,648	1,198,121
Interest on other borrowings	112,867	136,384
	1,716,094	1,708,855
Net foreign exchange losses	1,236,922	289,888
Less: finance costs capitalised	(525,130)	(491,156)
	2,427,886	1,507,587

28. Income tax (credits)/expenses

	2015	2014
Current income tax		
— PRC enterprise income tax (Note (b))	9,970	55,221
Deferred income tax	(45,439)	(2,450)
	(35,469)	52,771
Current PRC land appreciation tax (Note (c))	(58,640)	(13,284)
Total income tax (credits)/expenses (Note (d))	(92,109)	39,487

(a) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not have estimated assessable profit for the year (2014: Nil).

Notes to the consolidated financial statements

28. Income tax (credits)/expenses (continued)

(b) PRC enterprise income tax

The PRC enterprise income tax is computed according to the relevant laws and regulations in the PRC.

For the year ended 31 December 2015, the applicable income tax rate for the profits generated was primarily 25% (2014: 25%) based on taxable profits.

(c) PRC land appreciation tax

Certain PRC subsidiaries are also subject to the PRC land appreciation tax which is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction expenditure.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would have arisen using the weighted average tax rate applicable to profits of the consolidated companies due to the following:

	2015	2014
Loss before income tax	(2,085,002)	(939,488)
Less: Land appreciation tax	56,640	13,284
	<u>(2,028,362)</u>	<u>(926,204)</u>
Calculated at tax rate of 25% (2014: 25%)	(507,091)	(231,551)
Effects of:		
- Different income tax rates of certain companies	(10,449)	(4,478)
- Share of results of joint ventures and associates	(43,258)	(16,418)
- Expenses and development costs not deductible for tax purposes	522,359	284,058
- Others	2,970	21,160
PRC enterprise income tax	<u>(35,469)</u>	<u>52,771</u>
Land appreciation tax	<u>(56,640)</u>	<u>(13,284)</u>
Income tax (credits)/expenses	<u>(92,109)</u>	<u>39,487</u>

29. Cash used in operations

	2015	2014
Loss for the year	(1,992,893)	(978,975)
Adjustments for:		
- Tax	(92,109)	39,487
- Interest income	(12,145)	(50,979)
- Finance costs	2,427,886	1,507,587
- Depreciation	60,213	59,623
- Amortisation of land use rights and intangible assets	10,681	9,970
- Losses/(gains) on disposals of property, plant and equipment	3	(9,772)
- Allowance for doubtful debts	3,388	1,319
- Share of results of joint ventures	(174,383)	(89,873)
- Share of results of associates	1,353	24,203
- Fair value gains on investment properties - net	(253,760)	(91,155)
Operating profit before changes in working capital	<u>(21,766)</u>	<u>421,435</u>
Changes in working capital:		
- Properties under development and completed properties held for sale	(1,765,511)	(5,324,191)
- Trade receivables	116,619	35,346
- Other receivables, deposits and prepayments	30,081	277,819
- Restricted cash	(231,425)	206,330
- Deposits received on sale of properties	1,463,825	323,857
- Accruals and other payables	(263,767)	182,986
Net cash and cash equivalents used in operations	<u>(689,944)</u>	<u>(3,876,418)</u>

Notes to the consolidated financial statements

30. Financial guarantee contracts

The face values of the financial guarantees issued by the Group as at 31 December 2015 and 2014 are analysed as follows:

	2015	2014
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	2,439,760	1,637,217
Guarantees in respect of borrowings of a joint venture (Note (b))	437,283	574,232
	<u>2,877,043</u>	<u>2,211,449</u>

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to the bank over the repayment obligations of the purchasers. Such guarantees terminate upon the earlier of (i) issuance of the certificate of real estate ownership which will generally be available within an average period of 25 months upon the completion of guarantee registration; or (ii) completion of mortgage registration.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loan and ends when the certificate of real estate ownership for the mortgage is issued and submitted to the banks. The Director considers that the fair value of these contracts at date of inception was minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) The balance represents the maximum exposure of the guarantee provided for the joint venture for its borrowings.

31. Commitments

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	2015	2014
Contracted but not provided for:		
Properties development activities	507,859	583,155
Acquisition of land use rights	5,399,265	6,670,301
	<u>5,907,124</u>	<u>7,253,456</u>

32. Future minimum rental payments receivable

The future aggregate minimum lease rental receivables under non-cancellable operating leases are as follows:

	2015	2014
Not later than one year	170,330	209,100
Later than one year and not later than five years	118,307	174,888
Later than five years	1,168	4,990
	<u>289,803</u>	<u>388,978</u>

33. Significant related-party transactions

Guangzhou R&F is the parent company of the Company, which is incorporated in the PRC. The major shareholders of GZ R&F include Mr. Li Sze Lim and Mr. Zhang Li, who owns 33.52% and 32.02%, respectively, of GZ R&F's shares.

Transactions are based on the price lists in force and terms that would be available to third parties. The following transactions were carried out with related parties:

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

i) Provision of lease of properties

	2015	2014
Common shareholders: 广州金贝壳投资有限公司	878	1,333
A joint venture: 广州市富景房地产开发有限公司	41	87
Parent company: GZ R&F	68,572	52,584

ii) Purchase of installation services

	2015	2014
Controlled by an immediate family member of the major shareholder of GZ R&F: 广州恒景机电工程有限公司	1,071	580

iii) Purchase of construction services

	2015	2014
Fellow subsidiaries: 广州天力建筑工程有限公司 广东恒力建设工程有限公司	334,069 41,290	53,226 117,834
	375,359	171,060

iv) Purchase of property management services

	2015	2014
Fellow subsidiary: 广州天力物业发展有限公司	742	1,612

v) Provision of hotel services

	2015	2014
Parent company: GZ R&F	4,482	18,533

vi) Borrowings guaranteed by related parties

As at 31 December 2015, the Group's borrowings of RMB 8,188,960,000 was guaranteed by GZ R&F (2014: RMB2,700,000,000).

vii) Borrowings of related parties guaranteed by the Group

The Group and other shareholders have jointly provided guarantees for certain borrowings granted to the Group's joint venture for project development purpose. As at 31 December 2015, the Group's guarantees for borrowings provided to its joint venture are shown as follows:

	2015	2014
Joint venture: Charm Talent Limited	424,136	528,261

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

viii) Balances with related parties

As at 31 December 2015, the Group had the following significant balances with related parties:

	2015	2014
Due from:		
Parent company:		
- Trade balance		
GZ R&F	10,827	12,089
- Non-trade balance		
GZ R&F	-	3,062,413
Fellow subsidiaries:		
- Non-trade balances		
广州富力超盛置业发展有限公司	906,746	205,946
无锡天润福源房地产开发有限公司	717,200	-
杭州联富房地产开发有限公司	662,000	331,951
广州富力嘉盛置业发展有限公司	559,640	4,872
海南富力房地产开发有限公司	387,938	398,399
广州德和投资发展有限公司	176,381	176,381
杭州瑞富房地产开发有限公司	142,000	279,556
北京富力城房地产开发有限公司	119,986	669,986
湖州联富房地产开发有限公司	86,800	-
广州市富景房地产开发有限公司	76,202	-
重庆富力房地产开发有限公司	54,800	-
广州富力创盛置业发展有限公司	32,672	38,500
北京恒富物业服务服务有限公司沈阳分公司	11,163	10,758
湖州富力房地产开发有限公司	2,000	-
广州天力物业发展有限公司杭州分公司	1,000	-
广州市住宅建筑设计院有限公司	567	567
广州市东园房地产开发有限公司	50	50
广州富力足球俱乐部有限公司	-	8,000
	3,936,945	2,124,966
Due from:		
Associates:		
- Non-trade balances		
海南治丰房地产发展(香港)公司	-	7,000
海南协兴地产发展(香港)有限公司	-	3,000
	-	10,000
Joint ventures:		
- Non-trade balances		
Hines Shanghai	170,330	155,346
和荣有限公司	-	34,178
	170,330	189,524
	4,118,102	5,398,992

Notes to the consolidated financial statements

33. Significant related-party transactions (continued)

viii) Balances with related parties (continued)

	2015	2014
Due to:		
Parent company:		
- Non-trade balances		
GZ R&F	44,746	-
Fellow subsidiaries:		
- Non-trade balances		
富力(北京)地产开发有限公司	140,000	140,000
海南陵水富力湾开发有限公司	31,927	-
海南椰甲旅业开发有限公司	17,083	-
天津富力城房地产开发有限公司	14,832	14,832
广州富力智盛置业发展有限公司	546	546
广州市吉浩源房地产开发有限公司	5	5
无锡天润福源房地产开发有限公司	-	63,800
重庆富力房地产开发有限公司	-	49,433
西安保德信房地产开发有限公司	-	714
广州市金鼎房地产开发有限公司	-	3,500
	204,393	272,830
Associates:		
- Non-trade balances		
海南怡丰房地产发展(香港)公司	44,749	44,749
海南协兴地产发展(香港)有限公司	17,005	17,000
	61,754	61,749
Joint ventures:		
- Non-trade balances		
和荣有限公司	133,370	425,802
富力(沈阳)房地产开发有限公司	231,453	192,598
	364,823	618,398
	675,716	952,977

The non-trade balances with related parties are interest free, unsecured and have no fixed repayment terms. The trade balances with related parties are interest free, unsecured and to be settled based on the respective contractual terms.

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