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COUNTRY GARDEN HOLDINGS COMPANY LIMITED

碧桂園控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2007)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued by Country Garden Holdings Company Limited (the “**Company**”) 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**”).

Please refer to the attached offering memorandum in relation to the issuance of US\$550,000,000 6.50% Senior Notes due 2024 and US\$950,000,000 7.25% Senior Notes due 2026 (the “**Offering Memorandum**”), which is available on the website of the Singapore Exchange Securities Trading Limited as of 11 April 2019.

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

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
Country Garden Holdings Company Limited
MO Bin
President and Executive Director

Foshan, Guangdong Province, the PRC, 11 April 2019

As of the date of this announcement, the executive directors of the Company are Mr. YEUNG Kwok Keung (Chairman), Ms. YANG Huiyan (Co-Chairman), Mr. MO Bin (President), Ms. YANG Ziying, Mr. YANG Zhicheng, Mr. SONG Jun, Mr. LIANG Guokun and Mr. SU Baiyuan. The non-executive director of the Company is Mr. CHEN Chong. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham, Mr. TONG Wui Tung, Mr. HUANG Hongyan and Mr. YEUNG Kwok On.

Strictly confidential—Do not forward

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES PURCHASING IN AN "OFFSHORE TRANSACTION" AS DEFINED IN REGULATION S.

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Morgan Stanley & Co. International plc ("MS"), Goldman Sachs (Asia) L.L.C. ("GS"), BNP Paribas ("BNP"), The Hongkong and Shanghai Banking Corporation Limited ("HSBC") and Industrial and Commercial Bank of China (Asia) Limited ("ICBC" and, collectively with MS, GS, BNP, and HSBC, the "Joint Global Coordinators", "Joint Lead Managers" and "Joint Bookrunners") that (1) you are outside the United States, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, to the extent you purchase the securities described in the attached document, you will be doing in an offshore transaction so pursuant to Regulation S under the Securities Act AND (2) that you consent to delivery of the attached document and any amendments or supplements thereto by electronic transmission.

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

The attached document is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA"). **Prohibition of Sales to EEA Retail Investors**—The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 296/97 (as amended or superseded, the "Insurance Distribution Directive"), as amended or superseded, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

Restrictions: The attached document is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. You are reminded that the information in the attached document is not complete and may be changed. Any investment decision should be made on the basis of the final terms and conditions of the relevant securities and the information contained in the final document that will be distributed to you prior to the relevant closing date, if any, and not on the basis of the attached document. If you have gained access to this transmission contrary to any of the restrictions herein, you are not authorized and will not be able to purchase any of the securities described in the offering memorandum.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the issuer of the securities, the Joint Global Coordinator, the Joint Lead Manager, the Joint Bookrunner, the Trustee, the Agents or any person who controls any of them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT NOR UNDER THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION, AND THEY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO EXCEPT PURSUANT TO AN EXCEPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE SUCH OFFER WOULD BE UNLAWFUL.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or the initial purchaser to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or their respective affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached document on the basis that you are a person into whose possession the document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

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碧桂園

Country Garden Holdings Company Limited

碧桂園控股有限公司

(incorporated with limited liability under the laws of the Cayman Islands)

US\$550,000,000 6.50% Senior Notes due 2024

US\$950,000,000 7.25% Senior Notes due 2026

We are offering 6.50% Senior Notes due 2024 in the aggregate principal amount of US\$550,000,000 (the "April 2024 Notes") and 7.25% Senior Notes due 2026 in the aggregate principal amount of US\$950,000,000 (the "April 2026 Notes" and, together with the April 2024 Notes, the "Notes"). The April 2024 Notes will bear interest at the rate of 6.50% per annum and will mature on April 8, 2024. (the "April 2024 Notes Final Maturity Date). The April 2026 Notes will bear interest at the rate of 7.25% per annum and will mature on April 8, 2026 (the "April 2026 Notes Final Maturity Date).

We will pay interest on the April 2024 Notes on April 8 and October 8, commencing October 8, 2019 (provided that the final interest payment for any April 2024 Notes then outstanding shall be on the April 2024 Final Maturity Date). We may at our option redeem the April 2024 Notes, in whole or in part, at any time and from time to time on or after April 8, 2022, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest (if any) to (but not including) the redemption date. At any time prior to April 8, 2022, we may at our option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2024 Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest. At any time and from time to time prior to April 8, 2022, we may redeem up to 35% in aggregate principal amount of the April 2024 Notes, at a redemption price equal to 106.50%, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of our capital stock. For a more detailed description of the redemption of the April 2024 Notes, see "Description of the April 2024 Notes—Optional redemption."

We will pay interest on the April 2026 Notes on April 8 and October 8, commencing October 8, 2019 (provided that the final interest payment for any April 2026 Notes then outstanding shall be on the April 2026 Notes Final Maturity Date). We may at our option redeem the April 2026 Notes, in whole or in part, at any time and from time to time on or after April 8, 2023, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest (if any) to (but not including) the redemption date. At any time prior to April 8, 2023, we may at our option redeem the April 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2026 Notes plus a premium as set forth in this offering memorandum, and accrued and unpaid interest. At any time and from time to time prior to April 8, 2023, we may redeem up to 35% in aggregate principal amount of the April 2026 Notes, at a redemption price equal to 107.25%, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of our capital stock. For a more detailed description of the redemption of the April 2026 Notes, see "Description of the April 2026 Notes—Optional redemption."

Upon the occurrence of a Change of Control Triggering Event, we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes are senior obligations of Country Garden Holdings Company Limited (the "Issuer"), guaranteed by our existing subsidiaries (the "Subsidiary Guarantors") (the "Subsidiary Guarantees") other than certain subsidiaries specified in "Description of the April 2024 Notes" and "Description of the April 2026 Notes" and those organized under the laws of the People's Republic of China (the "PRC") (the "Non-Guarantor Subsidiaries").

The Notes will (1) rank at least *pari passu* with all our other unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (2) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries, including our subsidiaries in the PRC, and (3) be effectively subordinated to our secured obligations and those of the Subsidiary Guarantors, to the extent of the assets serving as security therefor. The Notes and the Subsidiary Guarantees will be secured by liens over the capital stock of the Subsidiary Guarantors, and pursuant to an intercreditor agreement (as amended and supplemented, the "Intercreditor Agreement"), rank *pari passu* with respect to such collateral with the Issuer's obligations under the indenture governing the US\$750 million 7.25% Senior Notes due 2021 (the "2021 Notes"), the indenture governing the US\$250 million 7.50% Senior Notes due 2019 (the "Private Notes"), the indenture governing the US\$900 million 7.50% Senior Notes due 2020 (the "2020 Notes"), the indenture governing the US\$650 million 4.75% Senior Notes due 2023 (the "September 2023 Notes"), the indenture governing the US\$350 million 5.625% Senior Notes due 2026 (the "2026 Notes"), the indenture governing the US\$700 million 4.75% Senior Notes due 2022 (the "2022 Notes"), the indenture governing the US\$625 million 4.75% Senior Notes due 2023 (the "January 2023 Notes"), the indenture governing the US\$750 million 5.125% Senior Notes due 2025 (the "January 2025 Notes"), the Indenture governing the RMB950 million 5.8% Senior Notes due 2021 (the "March 2021 Notes"), the indenture governing the US\$425 million 7.125% Senior Notes due 2022 (the "January 2022 Notes"), the indenture governing the US\$1,000 million 8.000% Senior Notes due 2024 (the "January 2024 Notes"), the indenture governing the US\$550 million 7.125% Senior Notes due 2022 (the "April 2022 Notes"), the US\$550 million 7.125% Senior Notes due 2022 (the "April 2022 Notes"), the trust deed governing the HK\$7,830,000,000 4.50 per cent. Secured Guaranteed Convertible Bonds due 2023 (the "2023 Convertible Bonds"), the facility agreement in relation to the US\$975 million equivalent dual tranche transferable term loan facility (the "2015 Club Loan").

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 expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, or any of their respective associated companies (if any), the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

Offering Price:
April 2024 Notes : 100.0%
April 2026 Notes : 100.0%

The Offering Price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from April 8, 2019.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer restrictions."

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated February 18, 2019, evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about April 8, 2019 through the book-facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Morgan Stanley

Goldman Sachs (Asia) L.L.C.

BNP PARIBAS

HSBC

ICBC (Asia)

Offering Memorandum dated March 28, 2019

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

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

This offering memorandum is not a prospectus for the purposes of the European Union’s Directive 2003/71/EC (as amended or superseded) as implemented in member states of the European Economic Area (the “EEA”). **Prohibition of Sales to EEA Retail Investors**—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

IN CONNECTION WITH THIS OFFERING, ANY INITIAL PURCHASER, AS STABILIZING MANAGER, OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY WILL BE CONDUCTED IN ACCORDANCE WITH APPLICABLE LAWS AND REGULATIONS AND MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, AS STABILIZING MANAGER (OR ANY PERSON OR ENTITY ACTING ON ITS BEHALF) AND NOT FOR THE ISSUER OR ON ITS 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 herein and the Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. 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. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section headed "Transfer Restrictions" herein.

No representation or warranty, express or implied, is made by the Initial Purchasers (as defined in the section headed "Plan of Distribution"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying and Transfer Agent", the "Calculation Agent" and the "Registrar," collectively, the "Agents") or any person who controls any of them, or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. The Trustee, the Agents and each person who controls any of them and each of their respective directors, officers, employees, representatives, agents, advisers and affiliates have not independently verified all of such information and they assume no responsibility for its accuracy or completeness.

Prospective investors in the Notes should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchasers, the Trustee or the Agents or any person who controls any of them nor each of their respective directors, officers, employees, representatives, agents, advisers and affiliates have authorized the provision of information different from that contained in this offering memorandum. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

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 Initial Purchasers, the Trustee, the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized 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 authorized by us, the Initial Purchasers, the Trustee or the Agents or any person who controls any of them or each of their respective directors, officers, employees, representatives, agents, advisers and affiliates.

The Notes and the Subsidiary Guarantees have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed

upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" contained herein.

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. None of us, the Initial Purchasers, the Trustee, the Agents, or any of our or their respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

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 (as defined in the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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 any 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 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 2(1) of the SFA) or securities-based derivatives contracts (as defined in Section 2(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, 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 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers 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 Notes sought by such purchaser. The Initial Purchasers 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 Country Garden Holdings Company Limited itself, or to Country Garden Holdings Company Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchaser or our or its directors and advisors, and neither us, the Initial Purchaser nor our or its directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

In this offering memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States; 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 “RMB” or “Renminbi” are to the Renminbi, the official currency of the People’s Republic of China.

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

References to the “2014 Club Loan” are to our HK\$2,925 million and US\$203 million equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.” As of the date of this offering memorandum, the 2014 Club Loan have been fully redeemed upon maturity.

References to the “2014 Notes” are to our 11.750% senior notes due 2014 issued on September 10, 2009 in the aggregate principal amount of US\$300 million (the “Original 2014 Notes”) and further issued on September 23, 2009 in the aggregate principal amount of US\$75 million, which were consolidated and formed a single series with the Original 2014 Notes). As of the date of this offering memorandum, the 2014 Notes have been fully redeemed upon maturity.

References to the “2015 Club Loan” are to our US\$975 million equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2015 Notes” are to our 10.500% senior notes due 2015 issued on August 11, 2010 in the aggregate principal amount of US\$400 million. As of the date of this offering memorandum, the 2015 Notes have been fully redeemed upon maturity.

References to the “2016 Club Loan” are to our US\$1.5 billion equivalent dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2016 Facility Agreement” are to the facility agreement for the 2016 Club Loan.

References to the “2017 Club Loan” are to our HK\$2,454 million and US\$945 million dual tranche transferable term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2017 Facility Agreement” are to the facility agreement for the 2017 Club Loan.

Reference to the “2018 Loan” are to our €300 million term loan facility. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “2018 Facility Agreement” are to the facility agreement for the 2018 Loan.

References to the “December 2018 Loan” are to our HK\$3,470,000,000 and US\$486,216,000 dual tranche transferable term loan facility with a greenshoe option for a term of 36 months and 24 months, respectively. See “Description of other material indebtedness—Offshore facility agreements.”

References to the “December 2018 Facility Agreement” are to the facility agreement for the December 2018 Loan.

References to the “2017 Notes” are to our 11.250% senior notes due 2017 issued on April 22, 2010 in the aggregate principal amount of US\$550 million. As of the date of this offering memorandum, we have redeemed in full the 2017 Notes.

References to the “2018 Notes” are to our 11.125% senior notes due 2018 issued on February 23, 2011 in the aggregate principal amount of US\$900 million. As of the date of this offering memorandum, we have redeemed in full the 2018 Notes.

References to the “2019 Notes” are to our 7.875% senior notes due 2019 issued on May 27, 2014 in the aggregate principal amount of US\$550 million. As of the date of this offering memorandum, we have redeemed in full the 2019 Notes.

References to the “2020 Notes” are to our 7.50% senior notes due 2020 issued on March 9, 2015 in the aggregate principal amount of US\$900 million. See “Description of other material indebtedness—2020 Notes.”

References to the “2021 Notes” are to our 7.25% senior notes due 2021 issued on October 4, 2013 in the aggregate principal amount of US\$750 million. See “Description of other material indebtedness—2021 Notes.”

References to the “2022 Notes” are to our 4.75% senior notes due 2022 issued on July 25, 2017 in the aggregate principal amount of US\$700 million. See “Description of other material indebtedness—2022 Notes.”

References to the “2023 Notes” are to our 7.50% senior notes due 2023 issued on January 10, 2013 in the aggregate principal amount of US\$750 million. As of the date of this offering memorandum, we had redeemed the 2023 Notes in full.

References to the “September 2023 Notes” are to our 4.75% senior notes due 2023 issued on September 28, 2016 in the aggregate principal amount of US\$650 million. See “Description of other material indebtedness—September 2023 Notes.”

References to the “January 2022 Notes” are to our 7.125% senior notes due 2022 issued on September 27, 2018 in the aggregate principal amount of US\$425 million. See Description of other material indebtedness—January 2022 Notes.

References to the “January 2023 Notes” are to our 4.75% senior notes due 2023 issued on January 17, 2018 in the aggregate principal amount of US\$625 million (the “January 2023 Notes”). See “Description of other material indebtedness—January 2023 Notes.”

References to the “January 2024 Notes” are to our 8.000% senior notes due 2024 issued on September 27, 2018 and January 25, 2019 in the aggregate principal amount of US\$1,000 million. See Description of other material indebtedness—January 2024 Notes.

References to the “January 2025 Notes” are to our 5.125% senior notes due 2025 issued on January 17, 2018 in the aggregate principal amount of US\$750 million. See “Description of other material indebtedness—January 2025 Notes.”

References to the “2026 Notes” are to our 5.625% senior notes due 2026 issued on December 15, 2016 in the aggregate principal amount of US\$350 million. See “Description of other material indebtedness—2026 Notes.”

References to the “March 2021 Notes” are to our 5.8% senior notes due 2021 issued on March 12, 2018 in the aggregate principal amount of RMB950 million. See “Description of other material indebtedness—March 2021 Notes.”

References to the “April 2022 Notes” are to our 7.125% senior notes due 2022 issued on January 25, 2019 in the aggregate principal amount of US\$550 million. See “Description of other material indebtedness—April 2022 Notes.”

References to the “Asian Games City Project” are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project will be implemented through a project company (the “Asian Games City JV”), in which we, Agile Property Holdings Limited (“Agile”), Guangzhou R&F Properties Co., Ltd. (“R&F”), Shimao Property Holdings Limited (“Shimao”) and Citic South (Group) Co. Ltd. (“Citic South”) each holds a 20% equity interest. Although we hold only a minority interest in the Asian Games City JV, we have taken into account this project when calculating the number of our projects, the site area or GFA data included in this offering memorandum, unless otherwise specified. For additional information about the Asian Games City Project, see “Business—Asian Games City Project.”

References to “contracted sales” refer to the purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

References to “2019 Convertible Bonds” are to our RMB-denominated HK dollars settled zero coupon convertible bonds due 2019 issued on January 30, 2018, which has been fully redeemed upon maturity.

References to “2023 Convertible Bonds” are to our HK\$7,830,000,000 4.50% secured guaranteed convertible bonds due 2023 issued on December 5, 2018.

References to the “DB Guarantee” are to the deeds of guarantee entered into by each of the Subsidiary Guarantors dated May 9, 2017, whereby the Company’s obligations under the DB ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the “DB Hedging Documents” are collectively to the DB Guarantee and the DB ISDA Agreement.

References to the “DB Hedging Obligations” are to the amounts due from the Company and the Subsidiary Guarantors under the DB Hedging Documents.

References to the “DB ISDA Agreement” are to the ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

References to the “GS Guarantee” are to the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, whereby the Company’s obligations under the GS ISDA Agreement (as defined below) will be unconditionally and irrevocably guaranteed by the Subsidiary Guarantors.

References to the “GS Hedging Documents” are collectively to the GS Guarantee and the GS ISDA Agreement.

References to the “GS Hedging Obligations” are to the amounts due from the Company and the Subsidiary Guarantors under the GS Hedging Documents.

References to the “GS ISDA Agreement” are to the ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International dated June 30, 2016.

References to the “November 2018 Notes” are to our senior notes due 2018 issued on November 22, 2017 in the aggregate principal amount of US\$500 million. As of the date of this offering memorandum, the November 2018 Notes have been fully redeemed upon maturity.

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

References to the “Private Notes” are to our 7.50% senior notes due 2019 issued on June 5, 2014 in the aggregate principal amount of US\$250 million. See “Description of other material indebtedness—Private Notes.”

References to the “Rights Issue” are to our rights issue on October 13, 2014 of 1,271,988,736 rights shares of the Company at the subscription price of HK\$2.50 each on the basis of one rights share for every 15 existing shares held on the relevant record date.

Unless otherwise stated, the site area and GFA data at our property developments presented in this offering memorandum do not include the site area and GFA attributable to our hotel properties or planned hotel developments.

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

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

Forward-looking statements

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

- the performance of the property market in places in which we engage in property development;
- future developments in the property market in places in which we engage or may engage in property development;
- the global economic environment and industry outlook generally;
- the availability of and changes to bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the places in which we engage or may engage in property development, including government policies concerning land supply, the availability and cost of project financing and mortgage financing, pre-sales, and the pricing and volume of our property developments;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to manage our growth and our geographically diversified business;
- our ability to acquire and develop land;
- cost and supply of construction materials and labor;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- the timely repayments by purchasers of our properties of mortgage loans guaranteed by us;
- the performance of the obligations and commitments of our joint venture partners under the existing and future joint venture agreements;
- changes in currency exchange rates;
- delay in obtaining proper legal titles for our properties or necessary government approvals for our operations; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering memorandum. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all.

Enforcement of civil liabilities

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

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

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

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

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

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

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules) according to Hong Kong rules;
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance.

Further, we have been advised by our PRC legal counsel, Commerce & Finance Law Offices, and our Cayman Islands legal counsel, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC and the Cayman Islands, respectively, would (i) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (ii) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us or our directors and officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States.

Exchange rates

PRC

The People's Bank of China ("PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the 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. Since 1994, the conversion of the Renminbi into foreign currencies, including H.K. dollars and U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange ("SAFE") and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. 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 May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the following business day. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi will be added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		(RMB per US\$1.00)		
2013	6.0537	6.1412	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016	6.4480	6.6400	6.9580	6.9430
2017	6.5063	6.7564	6.9060	6.5063
2018	6.2649	6.6090	6.9737	6.8755
September	6.8270	6.8551	6.8880	6.8680
October	6.8680	6.9191	6.9737	6.9737
November	6.8894	6.9367	6.9553	6.9558
December	6.8343	6.8839	6.9077	6.8755
2019				
January	6.6958	6.7863	6.8708	6.6958
February	6.6822	6.7367	6.7907	6.6912
March (through March 15)	6.7045	6.7116	6.7215	6.7129

Note:

(1) For yearly data, determined by averaging the month-end rates during the relevant year. For monthly data, determined by averaging the daily rates during the relevant month.

Hong Kong

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

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

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		(HK\$ per US\$1.00)		
2013	7.7503	7.7565	7.7654	7.7539
2014	7.7495	7.7554	7.7669	7.7531
2015	7.7495	7.7519	7.7686	7.7507
2016	7.7505	7.7620	7.8270	7.7534
2017	7.7540	7.7949	7.8267	7.8128
2018	7.8043	7.8376	7.8499	7.8305
September	7.8080	7.8364	7.8496	7.8259
October	7.8260	7.8375	7.8433	7.8393
November	7.8205	7.8286	7.8365	7.8244
December	7.8043	7.8194	7.8321	7.8305
2019				
January	7.8308	7.8411	7.8463	7.8463
February	7.8460	7.8477	7.8496	7.8496
March (through March 15)	7.8481	7.8495	7.9499	7.8492

Note:

(1) For yearly data, determined by averaging the month-end rates during the relevant year. For monthly data, determined by averaging the daily rates during the relevant month.

Presentation of financial information

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which differ in certain material respects from International Financial Reporting Standards (“IFRS”). Our reporting currency is the Renminbi. See “Risk factors—Risks relating to the Notes—There may be less publicly available information about us than is available in certain other jurisdictions.”

Glossary of technical terms

“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
“GFA”	gross floor area.
“land grant contract” ...	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land use rights certificate”	certificate issued by a local property and land resources bureau with respect to the land use rights.
“land use rights transfer agreement”	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“LAT”	land appreciation tax.
“pre-sale”	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“sq.km.”	square kilometer(s).
“sq.m.”	square meter(s).

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 the financial statements and related notes thereto, before making an investment decision.

Overview

We are one of the leading integrated property developers in the PRC, with a majority of our assets and operations in the PRC and an expanding footprint of operations outside the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration. We separately listed our property management subsidiary, Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) ("CG Services"), on the main board of the Hong Kong Stock Exchange on June 19, 2018. Our residential home projects are generally located in urban and suburban areas of cities all throughout the PRC. Recently, approximately 36% of our residential sales have been in first and second tier cities and the remaining 64% in third and fourth tier cities. As of December 31, 2018, we had 2,148 projects at various stages of development. Of these projects, 480 were located in Guangdong Province: 58 in Guangzhou City, 59 in Dongguan City, 46 in Foshan City, 33 in Jiangmen City, 52 in Huizhou City, 24 in Zhaoqing City, 23 in Qingyuan City, 20 in Meizhou City, 25 in Zhongshan City and the remaining in various other cities. We also had 1,668 projects located outside Guangdong Province, spanning 21 provinces, five autonomous regions and four municipalities in the PRC.

In December 2011 we expanded our operations outside of the PRC for the first time, with a project in Malaysia and further expanded into Australia in October 2013. Since the commencement of our overseas expansion we have continued to grow our operations outside of the PRC and, as of December 31, 2018, we had a total of 17 projects outside of the PRC. As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in United Kingdom and two projects in New Zealand. See "Risk Factors—We may not be successful in our overseas expansion" and "Business—Description of our property projects." While we intend on exploring additional opportunities to expand our business outside of the PRC we expect the overwhelming majority of our future revenues to continue being generated by our property development business in the PRC.

As of December 31, 2018, our projects in the PRC had an aggregate saleable completed GFA of approximately 142,971,718 sq.m. We had an aggregate saleable GFA under development of approximately 128,637,936 sq.m. and an aggregate saleable GFA of approximately 107,796,878 sq.m. relating to properties held for future development as of the same date. We have obtained

land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition.

For the years ended December 31, 2016, 2017 and 2018, our total revenue was RMB153,087.0 million, RMB226,899.8 million and RMB379,079 million (US\$55,135 million), respectively, and our EBITDA was RMB21,949.2 million, RMB47,845.4 million and RMB79,530 million (US\$11,567 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since April 20, 2007 under stock code 2007.

Competitive strengths

- We are one of the largest property developers in the PRC with one of the largest, most geographically diversified, and lowest-cost land banks;
- We have an established business model, which we believe has been successfully replicated in the markets where we operate;
- Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins;
- We maintain a robust liquidity position and have a strong credit profile;
- We have a strong brand in Guangdong Province with increasing recognition nationwide; and
- We have a highly effective management structure, experienced management team and professional workforce.

Business strategies

- Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province;
- Continue to focus on developing properties having an attractive value-to-price ratio;
- Maintain prudent financial management policies;
- Further strengthen our leading position and brand name recognition nationwide;
- Enhance effective internal management and controls;
- Implement our business diversification strategy; and
- Adhere to the goals of poverty alleviation and contributing to society.

Recent Developments

Issuance of senior notes

On January 25, 2019 we issued additional 8.00% senior notes due 2024 in the aggregate principal amount of US\$450 million. Such additional notes were consolidated, and form a single series, with the US\$550 million 8.00% senior notes due 2024 issued on September 27, 2018. See “Description of other material indebtedness—January 2024 Notes.”

On January 25, 2019, we issued the April 2022 Notes due 2022 in an aggregate principal amount of US\$550 million. The April 2022 Notes bear an interest rate of 7.125%. See “Description of other material indebtedness—April 2022 Notes.”

Redemption and Cancellation of the 2019 Convertible Bonds

Upon maturity of the 2019 Convertible Bonds on January 27, 2019, the Company has redeemed all of the outstanding 2019 Convertible Bonds. Following the redemption, the Company does not have any outstanding 2019 Convertible Bonds and the 2019 Convertible Bonds has been delisted from SGX-ST.

Contracted Sales⁽¹⁾

In the month ended February 28, 2019, our Group, together with our joint ventures and associates, achieved contracted sales attributable to shareholders of the Company in an amount equal to approximately RMB41.81 billion (US\$6.08 billion), an increase of approximately 8.42% year on year, with contracted sales GFA attributable to shareholders of the Company of approximately 5.09 million square meters, an increase of approximately 13.24% year on year.

General Information

We were incorporated in the Cayman Islands on November 10, 2006, as an exempted company with limited liability, with the registered number 177345. Our principal place of business in the PRC is at Country Garden, Beijiao Town, Shunde District, Foshan, Guangdong, 528312, PRC. Our principal place of business in Hong Kong is at Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Our websites are *bgy.cn*, *bgy.com.cn*, *countrygarden.cn* and *countrygarden.com.cn*. Information contained on our websites does not constitute part of this offering memorandum.

The Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in “Description of the April 2024 Notes” and “Description of the April 2026 Notes.”

Issuer	Country Garden Holdings Company Limited (the “Company”).
Notes Offered	US\$550,000,000 aggregate principal amount of 6.50% Senior Notes due 2024 (the “April 2024 Notes”). US\$950,000,000 aggregate principal amount of 7.25% Senior Notes due 2026 (the “April 2026 Notes”).
Offering Price	100.0% of the principal amount of the April 2024 Notes and accrued interest, if any. 100.0% of the principal amount of the April 2026 Notes and accrued interest, if any.
Maturity Date	The April 2024 Notes will mature on April 8, 2024 (the “April 2024 Notes Final Maturity Date”). The April 2026 Notes will mature on April 8, 2026 (the “April 2026 Notes Final Maturity Date”).
Interest	The April 2024 Notes will bear interest from and including April 8, 2019 at the rate of 6.50% per annum, payable semi-annually in arrears. The April 2026 Notes will bear interest from and including April 8, 2019 at the rate of 7.25% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 8 and October 8 of each year, beginning October 8, 2019 (provided that the final interest payment for the April 2024 Notes and the April 2026 Notes then outstanding shall be on the April 2024 Notes Final Maturity Date and the April 2026 Notes Final Maturity Date, respectively).
Ranking of the Notes . . .	The Notes are: <ul style="list-style-type: none">● general obligations of the Company;● senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;● at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);● guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “Description of the

“Description of the April 2024 Notes—The Subsidiary Guarantees,” “Description of the April 2026 Notes—The Subsidiary Guarantees” and in “Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral;”

- effectively subordinated to the other secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets (other than the Collateral) serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the caption “Description of the April 2024 Notes—Security” and “Description of the April 2026 Notes—Security” and will:

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary

Guarantees

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

A Subsidiary Guarantee may be released in certain circumstances. See “Description of the April 2024 Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees” and “Description of the April 2026 Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

The initial Subsidiary Guarantors that will execute the Indentures on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not have significant operations. Other than the initial Subsidiary Guarantors, none of the Company’s other Restricted Subsidiaries organized outside of the PRC

and the Unrestricted Subsidiaries (as defined in “Description of the April 2024 Notes” and “Description of the April 2026 Notes”) and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the “PRC Non-Guarantor Subsidiaries”) were a Subsidiary Guarantor on the Original Issue Date. See “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral—Our Initial Subsidiary Guarantors do not currently have significant operations.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) to guarantee the payment of the Notes as a Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of the Total Assets of the Company.

Any future Restricted Subsidiary, as defined under “Description of the April 2024 Notes—Definition” and “Description of the April 2026 Notes—Definition” (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes promptly after it becomes a Restricted Subsidiary. In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries 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 (i) release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, (ii) discharge the pledge of the Capital Stock granted by such Subsidiary Guarantor, and (iii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such Subsidiary Guarantor, provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors (including the Subsidiary Guarantors whose Subsidiary Guarantees were released) do not account for more than 20% of the Total Assets of the Company.

Ranking of Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

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

In addition, subject to the limitations described in “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- is entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “Description of the April 2024 Notes—Security” and “Description of the April 2026 Notes—Security;” and
- ranks effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law). See “Risk factors—Risks relating to the Subsidiary Guarantees and the Collateral.”

Collateral The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the “Collateral”) on a first priority basis to The Bank of New York Mellon as collateral agent, for the benefit of: the trustee for the benefit of the holders of the 2021 Notes (the “2021 Trustee”), the trustee for the holder of the Private Notes (the “Private Notes Trustee”), the trustee for the benefit of the holders of the 2020 Notes (the “2020 Trustee”), the trustee for the benefit of the holders of the September 2023 Notes (the “September 2023 Trustee”), the trustee for the benefit of the holders of the 2026 Notes (the “2026 Trustee”), the trustee for the benefit of the holders of the 2022 Notes (the “2022 Trustee”), the trustee for the benefit of the holders of the January 2023 Notes (the “January 2023 Trustee”), the trustee for the benefit of the holders of the January 2025 Notes (the “January 2025 Trustee”), the trustee for the benefit of the holders of the March 2021 Notes (“March 2021 Trustee”), The trustee for the benefit of the holders of the January 2022 Notes (the “January 2022 Trustee”), the trustee for the benefit of the holders of the January 2024 Notes (the “January 2024 Trustee”), the trustee for the benefit of the holders of

the April 2022 Notes, the trustee for the benefit of the holders of the 2023 Convertible Bonds (the "2023 Convertible Bond Trustee"), the trustee for the benefit of the holders of the April 2022 Notes (the "April 2022 Trustee"), the facility agent for the benefit of the lenders of the 2015 Club Loan (the "2015 Facility Agent"), the facility agent for the benefit of the lenders of the 2016 Club Loan (the "2016 Facility Agent"), the facility agent for the benefit of the lenders of the 2017 Club Loan (the "2017 Facility Agent"), the facility agent for the benefit of the lender of the 2018 Loan (the "2018 Facility Agent"), the facility agent for the benefit of the lender of the December 2018 Loan (the "December 2018 Facility Agent"), Goldman Sachs International as beneficiary under the GS Guarantee and as Party A under the related hedging documents ("Goldman Sachs International"), Deutsche Bank AG as beneficiary under the DB Guarantee and as Party A under the related hedging documents and each other holder of *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors under the 2021 Indenture, the Private Notes Indenture, the 2020 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 Convertible Bonds Trust Deed, the April 2022 Notes Indenture, the 2015 Facility Agreement, the 2016 Facility Agreement, the 2017 Facility Agreement, the 2018 Facility Agreement, the December 2018 Facility Agreement, the GS Hedging Documents and the DB Hedging Documents in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the aforementioned agreements.

On the Original Issue Date, the Collateral secured on a *pari passu* basis the obligations of the Company under the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, the Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the Private Notes Indenture, the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, the 2026 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the 2026 Indenture, the 2022 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, the January 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2023 Indenture, the January 2025 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the January 2025 Indenture, the March 2021 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the March 2021 Indenture, the

January 2022 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the January 2022 Indenture, the January 2024 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the January 2024 Indenture, the April 2022 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgor under the April 2022 Notes, the 2023 Convertible Bonds and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the 2023 Convertible Bond Trust Deed, the April 2022 Notes and the subsidiary guarantee provided by the Subsidiary Guarantor Pledgors under the April 2022 Indenture, the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, the 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2018 Facility Agreement, the December 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the December 2018 Facility Agreement, the GS Hedging Obligations, the DB Hedging Obligations, any other *pari passu* indebtedness of the Company provided by the Subsidiary Guarantor Pledgors and the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture. The Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur additional Permitted *Pari Passu* Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees, subject to the Intercreditor Agreement. See “Description of the April 2024 Notes—Security—Intercreditor Agreement,” “Description of the April 2026 Notes—Security—Intercreditor Agreement,” “Description of the April 2024 Notes—Security” and “Description of the April 2026 Notes—Security.”

Intercreditor Agreement

The Company, the 2021 Trustee on behalf of the holders of the 2021 Notes, the Private Notes Trustee on behalf of the holders of the Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the January 2023 Trustee on behalf of the holders of the January 2023 Notes, the January 2025 Trustee on behalf of the holders of the January 2025 Notes, the March 2021 Trustee on behalf of the March 2021 Notes, the January 2022 Trustee on behalf of the January

2022 Notes, the January 2024 Trustee on behalf of the January 2024 Notes, the April 2022 Trustee on behalf of the April 2022 Notes, the 2023 Convertible Bonds Trustee on behalf of the holders of the 2023 Convertible Bonds, the April 2022 Trustee on behalf of the April 2022 Notes, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, the 2018 Facility Agent on behalf of the lender of the 2018 Loan, the December 2018 Facility Agent on behalf of the lender of the December 2018 Loan, Goldman Sachs International, Deutsche Bank AG, any other secured party with respect to other pari passu indebtedness of the Company and the Subsidiary Guarantors and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the "Intercreditor/Collateral Agent") are each parties to an intercreditor agreement (the "Existing Intercreditor Agreement"). On the Original Issue Date, the Trustee on behalf of the holders of the Notes entered into a supplement to the Intercreditor Agreement with the parties to the Existing Intercreditor Agreement which supplemented and amended the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof, the "Intercreditor Agreement").

The Intercreditor Agreement will provide that enforcement actions in respect of the Collateral may be taken by the Intercreditor/Collateral Agent following an event of default under the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds, the April 2022 Notes, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations, the DB Hedging Obligations, any other pari passu indebtedness of the Company and the Subsidiary Guarantors, or the Notes.

Use of Proceeds We intend to use the net proceeds from this offering mainly for refinancing existing offshore indebtedness.

Optional Redemption . . . April 2024 Notes: At any time and from time to time on or after April 8, 2022, the Company may redeem the April 2024 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 12 month period beginning on April 8 of each of the years indicated below.

	<u>Period</u>	<u>Redemption Price</u>
2022	103.25%
2023	101.625%
2024	100.00%

At any time prior to April 8, 2022, the Company may at its option redeem the April 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in "Description of the April 2024 Notes—Optional Redemption."

At any time and from time to time prior to April 8, 2022, the Company may redeem up to 35% of the aggregate principal amount of the April 2024 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the April 2024 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

April 2026 Notes: At any time and from time to time on or after April 8, 2023, the Company may redeem the April 2026 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 12 month period beginning on April 8 of each of the years indicated below.

Period	Redemption Price
2023	103.625%
2024	101.8125%
2025 and thereafter	100.0%

At any time prior to April 8, 2023, the Company may at its option redeem the April 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in "Description of the April 2026 Notes—Optional Redemption."

At any time and from time to time prior to April 8, 2023, the Company may redeem up to 35% of the aggregate principal amount of the April 2026 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the April 2026 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

**Repurchase of Notes
Upon a Change of
Control Triggering
Event**

Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date.

**Redemption for
Taxation Reasons**

Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See "Description of the April 2024 Notes—Redemption for taxation reasons" and "Description of the April 2026 Notes—Redemption for taxation reasons."

Covenants

The Notes, the Indentures governing the Notes and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things:

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

These covenants are subject to a number of important qualifications and exceptions described in "Description of the April 2024 Notes—Certain covenants" and "Description of the April 2026 Notes—Certain covenants."

Transfer Restrictions . . .	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer restrictions.”
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes deposited with the common depository and registered in the name of the common depository of its nominee for the accounts of Euroclear and Clearstream.
Book-entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of their participants. For a description of certain factors relating to clearance and settlement, see “Description of the April 2024 Notes—Book entry; delivery and form” and “Description of the April 2026 Notes—Book entry; delivery and form.”
Delivery of the Notes . . .	The Company expects to make delivery of the Notes, against payment in same-day funds on or about April 8, 2019 which the Company expects will be the sixth business day following the date of this offering memorandum referred to as “T+6.” You should note that initial trading of the Notes may be affected by the T+6 settlement. See “Plan of distribution.”
Trustee	Citicorp International Limited.
Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Intercreditor Agent and Collateral Agent	The Bank of New York Mellon.
Listing	Application will be made for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, or any of their respective associated companies (if any), the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.
Governing Law	The Notes, the Subsidiary Guarantees, the Indentures and the Intercreditor Agreement will be governed by and will be construed in accordance with the laws of the State of New York.

Risk Factors For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk factors."

Security Code	ISIN	COMMON CODE
April 2024 Notes	XS1974522853	197452285
April 2026 Notes	XS1974522937	197452293

Summary consolidated financial and other data

The following tables present our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2016, 2017 and 2018 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 and included elsewhere in this offering memorandum. The summary consolidated financial data as of and for each of the years ended December 31, 2016, 2017 and 2018 may not be indicative of the results that may be expected for any other financial year. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from IFRS. The summary financial data below should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations" and the consolidated financial information and the related notes included elsewhere in this offering memorandum. The Company's financial results for any past period are not and should not be taken as an indication of the Company's performance, financial position and results in future years.

Summary consolidated income statement and consolidated statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
Revenue	153,087.0	226,899.8	379,079	55,135
Cost of sales	(120,850.9)	(168,114.4)	(276,603)	(40,230)
Gross profit	32,236.1	58,785.4	102,476	14,905
Other income and gains—net	1,530.5	2,611.5	4,344	632
Gains arising from changes in fair value of and transfer to investment properties	711.6	504.7	1,732	252
Selling and marketing costs	(7,383.6)	(10,002.4)	(12,533)	(1,823)
Administrative expenses	(4,882.9)	(7,269.0)	(16,601)	(2,415)
Net impairment losses on financial and contract assets	(88.4)	(339.0)	(1,176)	(171)
Research and development expenses	-	(693.0)	(1,224)	(178)
Operating profit	22,124.2	43,598.2	77,018	11,202
Finance income	532.9	3,422.7	2,445	356
Finance costs	(1,628.2)	(146.6)	(1,097)	(160)
Finance (costs)/income—net	(1,095.3)	3,276.1	1,348	196
Share of results of joint ventures and associates	361.7	(352.3)	1,197	174
Profit before income tax	21,390.6	46,522.0	79,563	11,572
Income tax expenses	(7,727.3)	(17,770.2)	(31,021)	(4,512)
Profit for the year	13,663.2	28,751.8	48,542	7,060
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	45.9	(56.4)	107	16
Items that may be reclassified to profit or loss:				
—Deferred gains/(losses) on cash flow hedges, net of tax	90.0	(103.8)	35	5
—Deferred (costs)/gains of hedging, net of tax	(295.9)	750.6	(1,099)	(160)
—Currency translation differences	299.5	155.6	(67)	(10)
Other comprehensive (loss)/income for the year net of tax	139.5	745.9	(1,024)	(149)
Total comprehensive income for the year net of tax	13,802.7	29,497.7	47,518	6,911
Profit attributable to:				
—Owners of the Company	11,516.8	26,063.5	34,618	5,035
—Non-controlling interests	2,146.4	2,688.3	13,924	2,025
	13,663.2	28,751.8	48,542	7,060
Total comprehensive income attributable to:				
Owners of the Company	11,585.2	26,775.1	33,619	4,890
Non-controlling interests	2,217.5	2,722.6	13,899	2,022
	13,802.7	29,497.7	47,518	6,911
Dividends	3,733.4	8,629.5	10,580	1,539
Other Financial Data (unaudited)				
EBITDA ⁽¹⁾	21,949.2	47,845.4	79,530	11,567
EBITDA Margin ⁽²⁾	14.3%	21.1%	21.0%	21.0%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. 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 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 sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP financial measures” for a reconciliation of our profit for the year 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 Indentures governing the Notes. See “Description of the Notes—Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

Summary consolidated statement of financial position information

(in millions)	As of December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
Non-current assets				
Property, plant and equipment	20,877.0	21,628.1	23,421	3,406
Investment properties	9,773.4	8,338.1	16,435	2,390
Intangible assets	239.4	391.5	670	97
Land use rights	2,536.5	2,425.5	2,496	363
Properties under development	52,342.4	98,840.5	107,812	15,681
Investment in joint ventures	7,311.2	19,345.5	27,891	4,057
Investment in associates	3,873.3	11,584.9	18,768	2,730
Financial assets at fair value through other comprehensive income	870.7	1,517.0	1,796	261
Available-for-sale financial assets	-	-	-	-
Derivative financial instruments	1,034.4	112.6	992	144
Trade and other receivables	55.5	5,372.4	10,962	1,594
Deferred income tax assets	7,822.3	12,197.7	18,701	2,720
	106,736.1	181,753.8	229,944	33,444
Current assets				
Properties under development	216,383.3	360,922.0	626,937	91,184
Completed properties held for sale	30,885.3	27,886.5	44,338	6,449
Inventories	2,203.7	4,251.3	8,822	1,283
Trade and other receivables	123,320.9	272,640.0	426,397	62,017
Contract assets and acquisition costs	-	15,737.8	17,094	2,486
Prepaid income tax	8,043.1	13,198.0	21,350	3,105
Restricted cash	11,844.0	11,318.2	14,200	2,065
Cash and cash equivalents	84,646.9	137,083.9	228,343	33,211
Financial assets at fair value through profit or loss	7,321.2	24,830.4	12,019	1,748
Derivative financial instruments	187.1	47.3	250	36
	484,835.5	867,915.5	1,399,750	203,585
Current liabilities				
Advanced proceeds received from customers	192,408.9	-	-	-
Contract Liabilities	-	346,747.3	562,800	81,856
Trade and other payables	151,789.3	330,883.8	498,821	72,551
Receipts under securitization arrangements	7,043.4	1,805.1	794	115
Current income tax liabilities	15,310.4	21,607.1	30,783	4,477
Senior notes	-	3,795.2	2,238	326
Corporate bonds	8,207.5	16,814.4	23,964	3,485
Convertible bonds	-	-	8,051	1,171
Dividend Payable	-	-	-	-
Bank and other borrowings	30,512.7	47,671.8	91,844	13,358
Derivative financial instruments	41.8	212.0	111	16
	405,314.0	769,536.8	1,219,406	177,355
Net current assets	79,521.5	98,378.6	180,344	26,230
Total assets less current liabilities	186,257.6	280,132.4	410,288	59,674
Non-current liabilities				
Senior notes	29,264.4	28,118.3	39,478	5,742
Corporate bonds	29,502.1	30,520.2	17,944	2,610
Convertible bonds	-	-	5,117	744
Bank and other borrowings	38,710.1	87,845.0	139,839	20,339
Deferred government grants	237.4	233.4	249	36
Deferred income tax liabilities	6,928.3	16,447.6	32,224	4,687
Derivative financial instruments	-	355.9	2,029	295
	104,642.4	163,520.5	236,880	34,453
Equity attributable to owners of the Company				
Share capital and premium	25,677.2	24,460.8	27,881	4,055
Other reserves	4,484.0	5,942.7	8,247	1,199
Retained earnings	39,967.1	63,267.1	85,202	12,392
	70,128.4	93,670.6	121,330	17,647
Non-controlling interests	11,486.8	22,941.4	52,078	7,574
Total equity	81,615.2	116,611.9	173,408	25,221
Total equity and non-current liabilities	186,257.6	280,132.4	410,288	59,674

Risk factors

In addition to other information in this offering memorandum, you should carefully consider the following risk factors, together with all other information contained in this offering memorandum, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware 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 occurs, 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 property market in the PRC, particularly in Guangdong Province, and, to a lesser extent, the markets overseas into which we have expanded our operations

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. A substantial portion of our property developments are located in Guangdong Province as well as other first, second, third and fourth-tier cities in the PRC. We established our business by developing private residential properties in Shunde District in 1997 and began expanding our project development activities to other locations in Guangdong Province in 1998. As of December 31, 2018, we had developed or were developing 480 projects in Guangdong Province and 1,668 projects outside Guangdong Province in the PRC. The projects in Guangdong Province and outside Guangdong Province in the PRC have an aggregate GFA (including completed properties, properties under development and properties for future development) of approximately 115,273,201 sq.m. and 264,133,331 sq.m., respectively. As of December 31, 2018, we also had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand. Although we are pursuing further business opportunities in other locations, we intend to maintain and increase our market share in Guangdong Province.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Guangdong Province, the PRC or any other market in which we currently have operations. In addition, we cannot assure you that there will not be an over-supply of properties in any of the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real GDP growth in the PRC slowing to 6.9% in the year ended December 31, 2017 from 10.6% in 2010), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. In addition, recent industry reports on China's property market have projected decreasing sales volumes and sales prices in the near term, and such reports

estimate that those decreases will negatively impact property developers and put downward pressure on their credit ratings. Demand for, and prices of, properties in the PRC are also directly affected by the macroeconomic control measures adopted by the PRC government from time to time. Since 2011, the PRC government has taken measures to control inflation and slow price increases in the property market. See “—Risks relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry’s growth.” Government policies aimed at reducing local government and corporate debt levels could also reduce liquidity in the economy, which in turn may affect the property market. Any adverse development in the condition of the property market in the PRC, or in other places where we conduct our operations, could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the PRC may adversely affect our business, financial condition and results of operations

In recent years, a large number of property developers have undertaken property development and investment projects in Guangdong Province and elsewhere in the PRC. Our major competitors include large regional, national and overseas property developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than we have. In addition, we also compete with small local homebuilders.

The intensity of the competition among property developers in Guangdong Province and other parts of the PRC for land, financing, raw materials and skilled management and labor resources may result in increased land acquisition and operational costs, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the commodity properties we sell. Any of the above may adversely affect our business, financial condition and results of operations.

In addition, the property markets in Guangdong Province and elsewhere in the PRC are rapidly changing. If we cannot respond to changes in market conditions in Guangdong Province 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 may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We finance our business primarily through a combination of internal funding, bank borrowings, capital markets financing and pre-sales and sales proceeds. We have also entered into trust financing arrangements and a perpetual loan for funding requirements. See “Description of other material indebtedness.” Further, our cash flow position may be impacted where purchasers of our properties who choose to pay the purchase price in full without taking out a mortgage do not pay the full purchase price on time. We also offer payment installment plans for our customers and may not collect the full purchase price upfront further impacting our cash flow. We cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all.

As of December 31, 2018, we had RMB329,269 million (US\$47,890 million) of outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the private notes, senior notes, convertible bonds and corporate bonds), of which RMB126,891 million (US\$18,456 million) were short-term borrowings (including the current portion of long-term bank and other borrowings, receipts under securitization arrangements the Convertible Bond, and corporate bonds). Our total interest expense on bank and other borrowings, receipts under securitization arrangements, the Convertible Bonds, senior notes and corporate bonds for the years ended December 31, 2016, 2017 and December 31, 2018, was RMB6,876.8 million, RMB11,040.6 million and RMB19,129 million (US\$2,782 million), respectively.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors that are beyond our control including, among other things, the economic environment in the PRC and other markets in which we operate, financial market conditions and monetary policies of the governments. For example, the PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending to property developers including, among other things:

- forbidding PRC commercial banks from extending loans to property developers to finance land premiums;
- restricting PRC commercial banks from extending loans for the development of luxury residential properties;
- restricting the granting or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- restricting the granting or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and
- forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC by adjusting them from time to time. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively affect the amount of funds available to commercial banks in China to lend to businesses, including us. In recent years, PBOC has increased the benchmark lending rates and bank reserve requirement ratios multiple times to curtail the overheating of the PRC property sector. The benchmark one-year lending rate as of December 31, 2018 was 4.35%. The current reserve requirement ratio ranges from 12% to 14%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may

require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year after the signing of a land contract, subject to limited exceptions. In March 2010, the PRC government further tightened this requirement by setting a minimum price for land transfers of at least 70% of the benchmark price for land in the surrounding locality and requiring a bidding deposit of at least 20% of the applicable minimum land transfer price. Additionally, a land grant contract must be entered into within 10 working days of closing and the 50% down payment (taking into account any deposits previously paid) paid within one month of signing the land grant contract, with the balance to be paid in full within one year of the contract date in accordance with provisions of such contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure that property developers are acquiring land with internal funds. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. On June 27, 2018, NDRC emphasized in a press release that the proceeds from offshore bond offerings of PRC property enterprises shall be mainly used for the repayment of existing debt and shall be restricted from being used for onshore or offshore property project investment or working capital. 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, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and business prospects may be materially and adversely affected. You may find additional information in respect of the key terms of our other material indebtedness under the section entitled "Description of other material indebtedness." We cannot assure you that we will be able to maintain the relevant financial ratios from time to time nor that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

We may not be successful in expanding into new markets and new types of property developments

Since 2006 we have gradually expanded our operations into 21 provinces, five autonomous regions and four provincial level municipalities beyond Guangdong Province in the PRC and intend on continuing such expansion as we grow our business. As we continue our geographic expansion in the PRC we will compete with developers who have an established local presence or

are more familiar with local regulatory and business practices, any of which may give them a competitive advantage over us. Moreover, we are normally required to make significant capital investments for land acquisition, development planning, construction and other aspects of operations when we enter into a new market. Should we fail to successfully manage our continuing expansion within the PRC or otherwise encounter operational constraints, our expansion within the PRC could be negatively impacted, which would have a material and adverse effect on our business, financial condition and results of operations.

In addition to our geographic expansion, we have also been expanding the types of property projects that we develop. Our current plans include projects that differ significantly from our past and current projects in terms of style of development, targeted customers and business segments. Our primary experience to date has been in developing high quality residential properties for sale and construction, the fitting of those properties, management of residential developments, and hotel operations. We have plans to expand into the business of developing office buildings in other areas in the PRC for our own use or for leasing to other companies. Our expansion into developments beyond high quality residential developments is a relatively new line of business for us, and we cannot assure you that it will be successfully managed or completed. Any failure in this regard would have a material and adverse effect on our business, financial condition and results of operations.

We may not be successful in our overseas expansion

We expanded our operations outside of the PRC for the first time in December 2011 and have continued such overseas expansion since then, which has involved operating in markets in which we have no established operations or track record of success. As of December 31, 2018, we had a total of 17 projects outside the PRC, which were either completed, under construction or set for future development. In December 2011, we commenced development of a project in Malaysia and further expanded into Australia in October 2013. As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand. See “Business—Description of our property projects.”

When opportunities arise, we expect to continue to expand our overseas operations into new markets. Such new markets may differ from our existing markets in terms of levels of economic development, topography, religion and culture, legal and regulatory practices and requirements, level of familiarity with contractors, business practices and customs as well as customer taste, behavior and preferences. Differences that exist in these new markets may also make it harder for us to secure local financing for our projects. In addition, when we enter into new markets, we will likely compete with developers who have established local presences, are more familiar with local regulatory and business practices and have stronger relationships with local contractors, which may give them competitive advantages over us. In addition, we are also developing projects which are significantly larger in scope with numerous added complexities than those of the projects we have completed in the past, particularly our Country Garden Forest City project, in Iskandar, Malaysia. The current design plan of Country Garden Forest City calls for the construction of artificial islands, a type of construction we have never attempted before, following which we will construct several large, multi-tiered buildings on top of the artificial islands. We cannot assure you that we will be able to successfully complete a project of this scale

or complexity, any failure in this regard would have a material adverse impact on our business, financial condition and results of operations.

We may not be able to obtain a sufficient number of sites or retain sites suitable for property developments

We derive the majority of our revenue from the sale of properties that we have developed. This revenue stream is dependent on our ability to complete and sell our property developments and subsequently collect the price of the sale in full. To maintain or grow our business in the future, we will be required to replenish our land bank with land bank suitable for development. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which property developers, including us, obtain land bank for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. We are required to follow these procedures to acquire land use rights to desirable sites from the government, which may result in higher land premiums than those we previously paid. Although these regulations do not prevent privately held land use rights from being traded in the secondary market, 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 bank generally in the PRC. If we fail to acquire sufficient land bank in a timely manner and at acceptable prices, or at all, our business prospects, results of operations and financial condition may be materially and adversely affected.

The PRC government has adopted a number of initiatives to control the growth of China's residential property sector and to promote the development of more affordable housing. For example:

- one initiative requires local governments, when approving new residential projects after June 1, 2006, to ensure at least 70% of their annual land supply (in terms of estimated GFA) consists of units that are less than 90 sq.m. in size;
- in an announcement made on May 30, 2006, the Ministry of Land and Resources of the PRC (the "Ministry of Land and Resources", which has been reorganized as the Ministry of Natural Resources) has stated that land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing);
- pursuant to the "Catalog of Restricted Use of Land (2012 Version Supplement)" (限制用地項目目錄(2012年本增補本)) and the "Catalog of Prohibited Use of Land (2012 Version Supplement)" (禁止用地項目目錄(2012年本增補本)) issued by the Ministry of Land and Resources in May 2012, the area of a parcel of land granted for commodity housing development shall not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities, and the plot ratio must exceed 1.0;
- 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) issued by the State Council of the PRC (the "State

Council”) on April 17, 2010 also reiterated that the government will give high priority to supplying more affordable housing;

- according to the “Circular Concerning Issues 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》) promulgated by the Ministry of Land and Resources on March 8, 2010, the supply of the land to be developed for indemnificatory housing, renovation of rundown residential areas and small or medium size self-use commercial housing shall be no less than 70% of the total land supply. Moreover, land supply for large-sized residential housing construction shall be strictly restricted, villa project shall be suspended and the area of a single parcel of land granted for commercial housing shall be strictly restricted; and
- the Notice on Continuing to Improve the Regulation and Control of 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) issued by the General Office of the State Council on February 26, 2013, which requires, among other things, expanding the development of ordinary commodity housing units and increasing the supply of land.

Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development, see “—The PRC government has implemented restrictions on the payment terms for land use rights.” The PRC government also controls land supply through zoning, land use regulations and other means. All these measures further intensify the competition for land in China among property developers.

As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand. We may have additional operations outside of China in the future, the success of which will also be subject to the relevant local government’s policies and control over land supply and the property sector in general.

These policy initiatives and other measures adopted from time to time by the government of the various jurisdictions in which we operate may limit our ability to acquire suitable land for development or significantly increase land acquisition costs, which may have a material adverse effect on our business, financial condition and results of operations.

Our land may be forfeited to the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer, or require the developer to forfeit the land. Under current PRC laws and regulations, if we fail to commence development within one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20.0% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant contract, the land is subject to forfeiture by the PRC government unless the delay in development is caused by PRC government actions, force majeure or necessary preparatory work. Further, pursuant to the “Notice on Enhancing 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 January 3, 2008, this policy was revised, stating, 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) before June 2008, all provincial, regional and municipal governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the Ministry of Land and Resources and other authorities are required to research and commence drafting implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as 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-rent housing, economy housing, limited price housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who, 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.

Moreover, according to the “Notice on Implementation of the State Council’s Certain Opinions on Resolving Residence 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) issued by the Ministry of Land and Resources on September 30, 2007, even if commencement of the land development is in compliance with the land grant contract, the land will be treated as idle land and the property developer may be restricted or prevented from participating in future bidding for land if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) there has been a suspension of the development of the land for over one year in time without government approval. This notice also calls for control over supply of large land parcels and states that the development period for an individual parcel of land in principle should not exceed three years. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the Measure for the Disposal of Idle Land (閒置土地處置辦法), that became effective on July 1, 2012 which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. For more information on regulation, please refer to the section headed “Regulation—Legal supervision relating to property sector in the PRC—D. Development of a property project—(a) Land for property development.” Parcels of land for certain property projects in the PRC have been under idle land investigation or even been deemed as idle land for failing to commence construction within the required time period as stipulated in the land grant contracts. Although the delays in the commencement of construction or the completion of certain of our property development did not lead to forfeiture of land or payment of idle land fees, we cannot assure you that circumstances leading to forfeiture of land or payment of idle land fees will not arise in the future. If we are required to forfeit land, to pay idle land fees or even to pay appreciation land premium, we will not be able to continue our property development on the forfeited land or recover the costs incurred for the initial acquisition of the forfeited land or recover development and other costs incurred up to the date of forfeiture, and our business, financial condition and results of operations may be adversely affected.

We recorded negative cash flows from operating activities in the past and are exposed to risks relating to pre-sales of properties

In the past, we have experienced negative cash flows. We cannot assure you that we will not experience negative operating cash flows in the future. If we record negative operating cash flows again in the future, our working capital may be constrained, which may materially and adversely affect our business, financial condition and results of operations.

We depend on cash flows from pre-sales of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of properties and may use pre-sales proceeds to finance only the developments wherein such properties are located. In the past several years, a number of government authorities and officials have proposed to limit or abolish the pre-sales of properties and recently, the Guangdong Real Estate Association issued a notice in September 2018 to solicit provincial developers' views on phasing out the system of pre-sales of properties. These recommendations have not been adopted by the PRC government and have no enforceability. However, we cannot assure you that the PRC government will not ban or implement further restrictions on the pre-sales of properties, such as imposing additional conditions for pre-sale permits or further restrictions on the use of pre-sales proceeds. Any such measure will adversely affect our cash flows and force us to seek alternative sources of funding for our property development business.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable

Many purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing. An increase in minimum down payment requirements for mortgage financing may reduce the attractiveness of mortgages as a source of financing for property purchases. Either of those measures or the suspension of mortgage financing may adversely affect the affordability of residential properties, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Since 2003, the PRC government has promulgated a range of laws, regulations and government policies regarding mortgage financing as a means to regulate the PRC property market. While the intent of these has generally been to reduce perceived speculation in the property market, during the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures currently in place include:

- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser's first residential property (including his or her spouse and minor children) using housing reserves (住房公積金) to buy an ordinary home for self-use;
- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of another new residential property using housing reserves to improve living conditions where the purchaser owns a residential property and has paid off its existing mortgage loan;

- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser's first ordinary residential property, and in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, such minimum down payment is reduced to 25% in principle which can be further adjusted downward by 5% by local authorities. Since September 2014, the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to purchase another residential property to improve living conditions, the bank may apply the aforesaid mortgage loan policy for first-time purchasers of residential property;
- 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. Since September 2014, in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off its existing mortgage loans applies for a new mortgage loan to purchase another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, to decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies; and
- suspending the availability of housing reserve loans where the purchase is for a third (or further) residential property.

For commercial property buyers, PRC banks are not allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou, Hainan province and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Any of which may have a negative impact on our business, financial condition and results of operations. In September 2018, Beijing issued new rules further tightening the availability of housing provident fund loans.

For more information on the regulations adopted by the PRC government relating to property financing, including dates of promulgation and authorizing governmental entities, see "Regulation—Legal supervision relating to property sector in the PRC—F. Property financing."

Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

We cannot assure you that the PRC government will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operations.

We have recently experienced safety accidents at certain of our construction sites

Operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. In addition, construction operations may also be affected by use of various contractors and adverse weather conditions. In recent months, accidents have occurred at certain of our construction sites, which we believe are attributable to inadequate attention to certain safety measures on such sites. To remedy such issues, we are overhauling the management system of our projects. This may include slowing down construction cycles in order to improve our construction management. The recent accidents have drawn sharp criticism from local authorities, the media as well as the general public. While we continue to take steps to improve our construction management, we cannot assure you that similar accidents will not occur again in the future. Should such accidents continue to occur, we may be subjected to legal liability, prolonged negative publicity or official investigation, and we may have to stop work on construction sites for a prolonged period of time while we undertake safety checks, any of which would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. We commenced our expansion outside of China, but within the Asia Pacific region in December 2011 with our first project in Malaysia and subsequently commenced operations in Sydney, Australia in October 2013, Bali, Indonesia, Jakarta, Indonesia, Delhi, India, Hong Kong, and Bangkok, Thailand. In addition to our expansion throughout Asia Pacific we have also commenced operations in New York, United States. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, especially projects outside Guangdong Province and operations outside China, we need to recruit and strengthen internal training for managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development needs. As of December 31, 2016, 2017 and 2018, we had approximately 94,450, 124,837 and 131,387 full-time employees, respectively. In order to fund our ongoing operations and future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties, which may have a different background and local practices than those in our traditional markets. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks including the risk of fraud or other misconduct by employees or third parties. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties

in adapting to local regulatory environment market conditions or culture, expanding existing business and operations and training an increasing number of personnel to manage and operate the expanded business or that our properties will be well received by the residents of the new markets. We cannot assure you that foreign exchange control and capital outflow policies of the PRC government relating to overseas property purchases will not adversely affect the sales generated by our overseas projects since a substantial portion of the purchasers of our overseas projects are, and are expected to continue to be PRC persons subject to the PRC government foreign exchange control and capital outflow policies. See “—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business.” We also cannot assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects. Any change in political leadership or the stability of the regions where we operate could result in regional regulatory changes in the property development sector and have a material adverse effect on our business, financial condition and results of operations.

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 had a negative and lasting impact on the world economy, which in turn affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In addition, on June 23, 2016, the United Kingdom held a remain-or-leave referendum on its membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union (“Brexit”). A process of negotiation will determine the future terms of the United Kingdom’s relationship with the European Union, as well as whether the United Kingdom will be able to continue to benefit from the European Union’s free trade and similar agreements. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. 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.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries continue to face difficulties surrounding sovereign debt. 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. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China’s economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US\$34 billion worth of Chinese goods as part of President Donald Trump’s tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States’ products. From September 24, 2018, the United States imposed 10% tariffs on approximately US\$200 billion worth of Chinese goods and plans to further increase the rate to 25% in January 2019. The PRC has responded by imposing tariffs on US\$60 billion of U.S. goods. On December 1, 2018, the United States and China agreed to temporarily pause the trade war and resume negotiation. The rhetoric surrounding the trade war continues to escalate and

neither side has been willing to resume stalled trade negotiations. The amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected, which would have a material and adverse impact on our business, financial condition and results of operation. Moreover, as the PRC is transitioning to a consumption-based economy, the forecast growth rate of the PRC is expected to be significantly lower than its average growth rate over the past thirty years.

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 access to the capital market and thereby 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 adversely affected.

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

On September 28, 2007, the Ministry of Land and Resources issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which provide 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 November 1, 2007. As a result, property developers are no longer 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, as had previously been the practice in many Chinese cities. On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the "Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant" (關於進一步加強土地出讓收支管理的通知), which raised the minimum down payment to 50% of the total land premium and required the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions. On March 8, 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and to pay the balance within one year of the contract date. On January 26, 2011, the State Council circulated Notice on Further Regulating the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides stricter management of housing land supply, among other things, that participants or individual bidding on any land unit shall show proof of funding sources. On May 13, 2011, the Ministry of Land and Resources issued the "Opinions on Maintaining and Improving the System for the Grant of Land by way of Tender, Auction and Listing" (《關於堅持和完善土地招標拍賣掛牌出讓制度的意見》). According to the opinions, the base price for the land grant will take into consideration factors such as applicable laws, the proposed development and utilization of the land, land price, time of payment, development and construction duration, construction methods, the usage of land and previous dealings with the enterprise. The Ministry of Housing and Urban-Rural Development

(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 April 1, 2017 which requires that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

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

We have entered into land grant contracts or land grant confirmation letters or sale and purchase agreements to acquire certain parcels of land for which we have not yet obtained land use rights certificates or land title and we have not paid up all the land grant premium for some of these land parcels. If we fail to complete the acquisition of these parcels of land in a timely manner, or at all, we will not be able to develop and sell properties on such land. We may not be able to acquire new land in replacement on terms acceptable to us, or at all. This would have a material adverse effect on our business, financial condition, results of operations and business prospects going forward. See “Business—Description of our property projects.”

Our business and results of operations may be adversely affected if we fail to comply with, or if we fail to obtain, or there are material delays in obtaining, the requisite governmental approvals

The property industry is subject to extensive regulations whether in the PRC or any of the other markets in which we have operations, including Australia, India, Indonesia, Malaysia, the United States and Thailand. For example, to establish a property development subsidiary in China, we must go through various PRC governmental approval and filing procedures and obtain the requisite approvals and licenses for our investment in such subsidiary and its property development and related business operations. Our property development subsidiaries must comply with a variety of legal and regulatory requirements, as well as the policies and procedures established by local authorities to implement such laws and regulations. To undertake and complete a property development, a property developer must obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmations of completion and acceptance. Each approval is dependent on the satisfaction of a set of conditions. Failure to obtain, or material delays in obtaining the requisite governmental approvals for any of our projects could give rise to potential liabilities and substantially disrupt the development and sale of our developments, which would result in a material adverse effect on our business, results of operations and financial condition.

We are currently applying for approval of the property development for certain projects. We cannot assure you that we will not encounter significant problems in satisfying the conditions to the approvals necessary for our business operations or property development, or that we will be

able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time and to which we are subject or the particular processes related to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. There have been instances where we did not obtain approvals on time, failed to comply with approvals we had been granted and there have been some instances where certain of our project companies in the PRC were imposed administrative penalties by relevant authorities as a result of commencing construction of certain projects before obtaining construction permits or other relevant approvals. For example, one of our project companies in Huiyang were imposed fines of approximately RMB70 million (US\$10.6 million) for commencing project construction before obtaining construction permits. In October 2017, one of our project companies in Henan were imposed fines of approximately RMB16 million (US\$2.4 million) for commencing project construction before obtaining construction permits. There have also been instances where certain of our project companies in the PRC received administrative penalties imposed by the relevant governmental authorities as a result of using certain types of land, including forested land, as well as sea area without approvals from such governmental authorities. For example, in August 2017, one of the local oceanic authorities in Hainan issued an administrative penalty notice to one of our project companies and such project company was imposed with a fine of approximately RMB22.5 million (US\$3.4 million) for reclamation development of sea area without requisite approvals. In April 2018, the local oceanic authorities in Hainan imposed an administrative fine of approximately RMB8.0 million (US\$1.2 million) on one of our project companies and further suspended its project construction for failing to obtain approvals of environmental impact assessment before commencing construction. There have been some instances where certain of our project companies in the PRC failed to obtain pre-sale permits before commencing pre-sales. For example, one of our project companies in Qingyuan has been required by the local governmental authority to suspend construction and sale of certain parts of its project for failing to properly obtain pre-sale permits. If we fail to comply with, or if we fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and filings, our investment in our subsidiaries and the schedule of development and sale of our developments could be substantially disrupted, resulting in a material adverse effect on our business, financial condition and results of operations.

Our profit margin is sensitive to fluctuations in the cost of construction materials

Construction costs are one of the predominant components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as most of the material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by centralizing our procurement to lower our purchase costs. We also manage the cost of outsourced construction work through a process of tenders which, among other things, takes into account procurement of principal construction materials such as steel and cement at fixed prices. In line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each

contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might be required to pay more to contractors under replacement contracts. Our profit margin is sensitive to changes in market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

If we are not properly insulated from the rising cost of labor, the results of our operations may be adversely affected

As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers have experienced increases in recent years. In addition, certain PRC laws, such as the Labor Law of the PRC, have enhanced the protection for employees and increased employer liability, which may further increase our labor costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers for our property development and bear the risk of fluctuations in wages during the term of the relevant contract. The contractors are also liable if they do not purchase work injury insurance for their workers as required. However, we are exposed to the price volatility of labor to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly. If we are unable to pass on any increase in the cost of labor, to either our construction contractors or to the purchasers of our properties, our results of operations may be adversely affected.

We are exposed to the risk of latent property defects

Latent property defects are those where substandard work is hidden and cannot be discovered by a reasonable inspection. Typically, such defects involve an element of the construction that cannot be seen by the naked eye because it is within a wall cavity or buried underground. There can be no assurance that our existing properties, those currently under development or planned for development do not contain and will not contain latent defects. Latent defects may have an adverse effect on our reputation and the value of and/or our ability to sell or lease a property and the costs of remedying any such defects may be material to us. Furthermore, we may incur significant liabilities from third parties in connection with latent defects, including the costs of remedying such defects and the consequential losses suffered by such third parties and any costs incurred by us that are not covered by warranties given by contractors, which may have an adverse effect on our business, financial condition and results of operations.

We are subject to legal and business risks if we fail to obtain or maintain qualification certificates

Property developers in the PRC must obtain a formal qualification certificate (資質證書) in order to develop property in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定), newly established developers must first apply for a temporary qualification certificate (暫定資質證書), which can be renewed for a maximum of two additional one-year periods, by which time a formal qualification certificate must have been issued. Before commencing their business operations, entities engaged in construction, or fitting and decoration are required to obtain qualification certifications in the Provisions on Administration of Qualification of Construction Enterprises (建築業企業資質管理規定). Property

developers in the PRC are required to produce a valid qualification certificate when they apply for a pre-sale permit. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Qualification certificates for property developers are subject to renewal on an annual basis. In reviewing an application to renew a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or improper operations.

Each of our project companies, with the assistance of our group office, is responsible for the annual submission of its renewal application. If any one of our project companies is unable to meet the relevant qualification requirements, the local authorities will normally grant that project company, subject to a penalty of between RMB50,000 and RMB100,000, a grace period to rectify any insufficiency or non-compliance. Failure to satisfy the requirements within the specified time frame could result in rejection of the renewal application and revocation of the business license of the project company. As of the date of this offering memorandum, most of our project companies which are developing properties has obtained a valid qualification certificate except for certain project companies, which are in the process of applying for extension or alteration or issuance of the qualification certificates.

In addition, we have other non-property development related subsidiaries which also require qualification certificates to engage in their relevant operations. As of the date of this offering memorandum, these subsidiaries have obtained or are in the process of applying for the issuance or extension of such qualification certificates.

We cannot assure you that the qualification certificates of all of our existing project companies will continue to be renewed or extended or that formal qualification certificates for new project companies and our other non-property development related subsidiaries will be obtained in a timely manner, or at all. If our project companies or our other non-property development related subsidiaries are unable to obtain or renew their qualification certificates, as applicable, they will not be permitted to engage in or continue their businesses, which could have a material adverse effect on our business and financial condition.

We face significant property development risks before we realize any benefits from a development

Property developments typically require substantial capital outlays during the construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales or sales. The time and costs required to complete a property development may increase substantially due to many factors beyond our control, including the shortage or increased cost of material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances.

Any of these factors, individually or in the aggregate, may lead to a delay in completing, or failure to complete a property development and result in costs substantially exceeding those originally budgeted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. In addition, if there is any negative news or report on our property development strategy or operation, we may suffer from negative publicity or reputation damage. As a result, our returns on investments, if any, might not be timely recognized or might be lower than originally expected.

Our investment properties are illiquid

Investments in properties are in general illiquid compared to many other types of investments. Therefore, our ability to sell one or more of our investment properties in response to changing economic, financial and investment conditions promptly, or at all, is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property currently held or planned to be held for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we may have to obtain consent from or pay termination fees to our tenant. In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to competition, age, decreased demand or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. In particular, we may be required to expend funds to maintain properties, correct defects, or make improvements before a property can be sold and we may not have sufficient funds available for such purposes. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our ability to retain tenants and to compete against our competitors and therefore our business, financial condition and results of operations may be materially and adversely affected.

We face risks relating to fluctuations of results of operations from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial capital required for land acquisition, demolition and resettlement and construction, as well as limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we have begun to develop larger-scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, as the overall development moves closer to completion, the sales prices of the properties in such larger-scale property developments tend to increase because a more established residential community is offered to purchasers. In addition, seasonal variations have caused fluctuations in our revenues and profits from quarter to quarter. For example, our revenue and profits, recognized upon the delivery of properties, are often lower in the first half of a year than in the second half, and we will continue to experience fluctuations in revenue and profits on an interim basis. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

We rely on independent contractors

We expect that as our business grows in terms of the number of projects and geographical coverage, we will engage independent contractors to provide various services, including design, construction and installation, engineering, construction supervision, fitting and decoration, most of which have been provided primarily by our own subsidiaries to date. Historically, a majority of our construction work in Guangdong Province was undertaken by Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap Construction Co.") our wholly owned subsidiary. As we have expanded to regions outside Guangdong Province, we have outsourced more construction work, which in turn has increased our reliance on independent contractors. While we may consider acquiring or setting up local construction companies in our major markets outside Guangdong Province, we expect that a substantial portion of our construction work outside Guangdong Province will continue to be undertaken by independent contractors. We cannot assure you of the availability of qualified independent contractors in the market at the time of our intended outsourcing, nor can we assure you that the services rendered by our independent contractors will always be satisfactory or meet our quality requirements. There have been instances where the independent contractors' performance was less than satisfactory, which in turn caused some quality issues and disputes between us and our customers. There have also been some instances where independent contractors failed to pay sub-contractors and as a result, we became parties to disputes related to such payments. While we endeavor to monitor the quality of our independent contractors' work, we cannot assure you that such issues will not arise in the future or that our business, results of operation, financial condition and reputation will not be materially and adversely affected as a result. Moreover, the completion of our property developments may be delayed, and we may incur additional costs, due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We face contractual and legal risks relating to the pre-sale of properties, including the risk that property developments may not be completed and the risk that changes in laws and regulations in relation to the pre-sales of properties may adversely affect our business, cash flow, financial condition and results of operations

We face contractual risks relating to the pre-sales of properties. For example, if we fail to meet the completion deadlines stated in pre-sale contracts, purchasers of pre-sold units have the contractual right to claim damages. If we still fail to deliver the properties to the purchasers within the grace period stipulated in the contract, the purchasers have the right of termination. If the actual GFA of a completed property delivered to purchasers deviates by more than 3% from the GFA originally stated in the pre-sale contracts, purchasers have the right of termination or the right to claim damages.

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have an impact on our liquidity position. On August 5, 2005, PBOC recommended in the "2004 Real Estate Financing Report" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of PBOC put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of

PBOC, published an article pointing out that the way to perfect the system for pre-sale of commodity properties (商品房) of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reform Commission (“NDRC”) proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. According to media reports, on September 21, 2018 Guangdong Real Estate Association issued an Emergency Notice of Providing the Relevant Opinions on the Pre-sale Permit for Commodity Properties (關於請提供商品房預售許可有關意見的緊急通知) asking for opinions on the proposal of canceling the pre-sale system for commodity properties. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On April 13, 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on sale of completed commodity properties in light of local conditions, and encourages property developers to sell completed commodity properties. No local government has promulgated any such regulation for sale of completed commodity properties yet. Further, the PRC government can impose strict regulations on the advertising of pre-sales and some of our project companies have been penalized for violations of such pre-sale regulations. We cannot assure you that PRC government authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restrictions on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining a 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 a material and adverse effect on our business, cash flow, financial condition and results of operations.

Resettlement negotiations may add costs or cause delays to our development projects

Under PRC laws and regulations, we are not responsible for the demolition and removal work of a site for development, unless the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, then either of them may apply for a ruling from the relevant governmental authorities. If a party is not satisfied with the ruling, it may initiate proceedings in a PRC court within three months from the date of service of such ruling, which may cause delays to the development of projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project and the recognition of sales as revenue upon completion, which may in turn adversely affect our business, financial position and results of operations.

We may not receive full compensation for assistance we provide to local governments to clear land for government land sales

In certain cases where we are interested in acquiring land, we assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities,

pursuant to which the relevant authorities are responsible for land planning, resident relocation and constructing municipal supporting facilities and we are responsible for providing funding for the land clearance and relocation and offering management services. After the land clearance is complete and the land is otherwise suitable for public land sale, the relevant land authority will organize a sale through a public tender, auction or listing-for-sale process. Under the land clearance agreements, we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. According to the land clearance agreements, we have exclusive rights to clear the land, but do not have the exclusive right to acquire the land. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process and we are required to participate in such process if we want to acquire the land. We cannot assure you that we will win the bid in a timely manner or at all; nor can we assure you that the relevant land authority will achieve an optimal price for the sale of such land use rights. We cannot assure you that we will be reimbursed for the expenses that we incur in connection with such land clearance, nor can we assure you that we will receive any profit from such land use rights sales. In addition, we cannot assure you that the PRC government will not issue new laws or regulations which may revoke the reimbursement, profit allocation or other arrangements in the land clearance agreements that we have entered into with the local governments and, as a result, we may not be able to receive compensation for expenses we incurred in connection with the land clearance and allocation work. Further, the PRC State Council on January 3, 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. This requirement may limit our ability to participate in such land clearance work in the future.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Substantially all of the purchasers of our residential properties rely on mortgages to fund 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 increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive or less available or less attractive to potential property purchasers.

Over the years, the PRC government has promulgated a range of laws, regulations and government policies regarding mortgage financing as a means of regulating the PRC property market. While the intent of these has generally been to reduce perceived speculation in the property market, during the global financial crisis the PRC government implemented a number of measures designed to stimulate the economy, including lowering the down payment requirements for purchasing residential properties and PBOC benchmark bank lending rates. However, since the fourth quarter of 2009, the PRC government has again enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures include requiring and adjusting the minimum down payment for the acquisition of residential properties, requiring and adjusting the minimum mortgage loan interest rate for purchases of residential properties, requiring commercial banks to cease offering mortgage loans to customers for purchase of multiple residential properties.

For commercial property buyers, PRC banks are not allowed to finance the purchase of any presold properties. The minimum down-payment for commercial property buyers has been increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, banks may not offer mortgages to individual borrowers where the monthly repayment of the anticipated mortgage loan would exceed 50% of the relevant individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. Since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy. Our business, financial condition and results of operations may therefore be adversely affected by these efforts. Property purchasers in the PRC have been and will continue to be affected by these regulations and their amendments as may be made thereto from time to time.

We cannot assure you that the PRC government will not further increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Nor can we assure you that such regulatory changes would not adversely affect our business, financial condition and results of operations.

We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments

We arrange for various banks to provide mortgage services to the purchasers of our properties in the PRC. In accordance with market practice, domestic banks require us to provide guarantees in respect of these mortgages. The majority of these guarantees are guarantees which are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which generally takes place within three months after we deliver the relevant property to the purchasers, or the full settlement of the mortgaged loans by the purchasers. Prior to 2003, we also provided guarantees for the mortgage loans of some of our customers which are discharged two years from the day the mortgage loans become due. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgage banks. For further information on our outstanding guarantees for the mortgage loans of our customers, see note 38 and 39 to our consolidated financial statements as of and for the years ended December 31, 2017 and 2018, each of which is included elsewhere in this offering memorandum.

Although we have experienced a low rate of default on the mortgage loans we guarantee, there is no assurance that the default rate will not increase in the future. If such an increase occurs and our guarantees are called upon, our business, financial condition and results of operations could be adversely affected.

Disputes with joint venture partners may adversely affect our business

We have, and expect to have in the future, interests in joint venture entities in connection with our property development plans, including the Asian Games City JV, the project companies of our Malaysian projects and other joint venture entities described in this offering memorandum. In certain circumstances, our existing joint venture entities have relied on our financial support, and we expect they will continue to do so. In addition, in accordance with PRC law, certain matters relating to joint ventures require the consent of all parties to the joint venture. Our joint ventures may involve risks associated with the possibility that our joint venture partners may:

- have economic or business interests or goals inconsistent with ours;
- take actions contrary to our instructions, requests or our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture agreements;
- have financial difficulties; or
- have disputes with us as to the scope of their responsibilities and obligations.

We cannot assure you that we will not encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

Any unauthorized use of our brand may adversely affect our business, and our trademark licensees may conduct their business in a way that is detrimental to our brand image

Our brand receives high recognition in China. Any unauthorized use of our brand may have a negative impact on our brand image and adversely affect our business. In addition, we have granted a non-exclusive license to certain related parties to use our brand. We do not have control over the conduct of these licensees or other companies which may use our brand without our authorization. As a result, our business and reputation could be adversely affected due to any unauthorized use of our brand.

We have started expanding our operations into new industries and such expansion may not be successful

We have taken significant initiatives or made significant plans to expand into the agriculture, robotic technologies, artificial intelligence, cloud computing and digital data platforms, with a view to establishing alternative revenue sources. There is no assurance that we will be able to successfully leverage our experience in the property industry and replicate our success in other industries. Our expansion in general will require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in new environments and markets, navigating different regulatory regimes and obtaining necessary governmental approvals, difficulties in gaining market recognition and competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, challenges developing the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entries into new industries have exposed, or will expose us, to additional risks common to such industries. Operating in the agricultural and technology industries will elevate

our risks in areas such as regulatory compliance, customer complaints and lawsuits. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

We do not have insurance to cover potential losses and claims in our operations

We do not maintain insurance for the destruction of, or other damage to, all of our properties under construction. We carry property management liability insurance in connection with our property management business and accident insurance (i.e. employer's liability insurance) for our construction workers; however, we do not maintain insurance against other personal injuries or property damage that may occur during the construction of our properties. We also do not carry insurance coverage for the non-performance of contracts during construction and other risks associated with construction and installation work during the construction period.

Moreover, there are certain contingent liabilities for which insurance is not available on commercially practicable terms, such as losses caused by earthquake, typhoon, flooding, war and civil disorder.

We may not have sufficient funds to offset any such losses, damages or liabilities or to replace any property development that has been destroyed in the course of our operations and property development. In addition, any payments we make to cover losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, partners and purchasers. We may also be involved in disputes with various parties relating to our property management business including personal injury claims. These disputes may lead to legal or other proceedings, may result in substantial costs and diversion of resources and management's attention and may have a material adverse effect on our reputation and our ability to market and sell our properties. We have been involved in disputes with our customers with respect to quality of our properties and time of delivery and we may receive negative publicity from other potential disputes with customers in the future. We also have been involved in disputes with independent contractors with respect to project payment. In addition, most of our projects consist of multiple phases, and purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with representations and warranties we made to them. There have also been instances where land or buildings belonging to certain of our PRC subsidiaries have been sealed off by courts in the PRC for disputes such PRC subsidiaries are involved in. Further, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. There have been instances where we were involved in disputes with local regulatory bodies relating to our business operations and we have also been fined administratively in the past for selling and marketing practices that were considered in breach of relevant regulations. We cannot assure you that any disputes with parties involved in the

development and sale of our properties in the future would not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation or the "Country Garden" brand. Any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, corruption, or alleged corruption by us or any of our directors, officers or other agents, or any investigation in relation to such failure or alleged failure or corruption or alleged corruption by any regulatory body, could also materially and adversely affect our reputation, business, financial condition and results of operations.

We are exposed to construction disputes and litigation

Giant Leap Construction Co. undertakes construction work for a substantial portion of our projects, as well as one project developed by a related party and a few third-party projects. Giant Leap Construction Co. may be subject to legal claims and proceedings instituted by our customers, subcontractors, workers and other parties involved in the projects undertaken by us from time to time. Such claims and proceedings include claims for compensation for late delivery of construction works and delivery of substandard works and claims in respect of personal injuries and labor compensation in relation to construction works.

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim pending or threatened by or against us. However, we cannot assure you that we will not be engaged in any litigation or arbitration of material importance in the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operations may be adversely affected.

We may be liable to our customers for damages if we do not apply for individual property ownership certificates on behalf of our customers in a timely manner

Property developers in the PRC are typically required to assist the purchasers to get the relevant individual property ownership certificates within 90 days of delivering the properties unless otherwise specified in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline to apply for the individual property ownership certificates upon the provision of the necessary documents by the customers to allow sufficient time for the relevant application processes.

Under current regulations, we are required to submit the requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within three months of receiving the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate for these properties. We are then required to submit, within a stipulated period after delivery of the properties, the relevant property sale and purchase agreements, identification documents for the purchasers and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates.

No material claim has been brought against us by any purchasers for late application for individual property ownership certificates on behalf of our customers in the years ended December 31, 2016, 2017 and 2018. However, we cannot assure you that we will not become

liable to purchasers in the future for late application for individual property ownership certificates on behalf of our customers due to our own fault or reasons beyond our control, which may have a material adverse effect on our business.

Our hotel operations involve uncertainties

Certain residential projects that we have developed or intend to develop include high-end hotel operations.

Our approach to our hotel business is not focused on the profit contribution derived directly from our hotel operations. Rather, we consider our hotel business a value enhancer to our brand recognition in the property market and an integral component of our overall residential project marketing strategy.

Most of our hotels are currently owned and operated by our own hotel companies. Although the managing staff at various levels have the relevant management experience, we could face considerable reputational and financial risks if the hotels are mismanaged. If we are unable to successfully manage our hotel business, it may have a material adverse effect on the results in that segment as well as our overall marketing strategy, financial condition and results of operations.

We have engaged third-party hotel management partners to manage our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. Our results of operations may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments relating to these companies or their brands generally. We may also consider engaging other international management companies to manage our hotels. We and the hotel management companies may have disagreements as to how the hotels should be managed or other matters. In general, under the terms of the management agreements, the third-party hotel management partners control the daily operations of the hotels. Thus, even if we believe our hotels are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, gross operating profit margins or other performance indicators, we may not be able to require the management partners to change the way they manage our hotels. Such cooperation with hotel management companies may not achieve positive results as anticipated.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect their value.

Any portion of our uncompleted and future property developments that are not in compliance with relevant laws and regulations will be subject to governmental approval and additional payments

The local government authorities inspect property developments after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (房屋建築工程和市政基礎設施工程竣工驗收備案表) if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform to the plan authorized by the construction permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued to the property development.

We cannot assure you that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property development exceeds the relevant authorized GFA upon completion. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any surcharges or corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, our business, results of operations and financial condition.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation in value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses (普通標準住宅) if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for the exemption. We estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations, but we only pay a portion of such provision each year as is required by the local tax authorities.

Further, on December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (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), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo LAT clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- property developers must conduct final settlement if one of the following conditions is satisfied:
 - the project is completed and has been sold entirely;

- the project is transferred as a whole before the completion of the construction; or
- only land-use rights are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if any of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, though less than 85%, the rest of the saleable area has already been rented or is being self-used;
- the project has held a sale/pre-sale license for at least three years but has not been sold entirely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the SAT 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, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region.

Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation and there are uncertainties how this notice will be enforced. In the event that the implementation rules promulgated in the cities in which our projects are located require us to settle all unpaid LAT, our cash flow may be adversely affected.

For the years ended December 31, 2016, 2017 and 2018 our LAT expense was RMB3,115.0 million, RMB7,944.9 million and RMB13,763 million (US\$2,001.7 million), respectively. We estimate and make provision for the amount of applicable LAT at the time the relevant property sales revenue is recognized and recorded in our books, but actual LAT payment will only be made at the time specified by the relevant PRC tax laws and regulations. We cannot assure you that the local tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, we cannot assure you that the applicable tax rate for LAT will not increase, or that the PRC government or local tax authorities will not abolish the authorized taxation method, or that we will be able to obtain approval in the future to use the authorized taxation method. If the relevant tax authorities determine that a higher amount of LAT should be paid, our business, financial condition and results of operations may be materially and adversely affected.

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 March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the Ministry of Finance ("MOF") and the PRC State Administration of Taxation ("SAT"), effective from May 1, 2016, PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, 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 current business tax rate) 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, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

Potential liability for environmental problems could result in substantial costs

We are subject to a variety of laws and regulations concerning environmental protection. The particular environmental laws and regulations that apply to any given development site vary greatly according to the site's location and environmental condition, the present and former uses of the site and the nature of the adjoining properties. Requirements under environmental laws and conditions may result in delays to development schedules, may cause us to incur substantial compliance and other costs and may prohibit or severely restrict project development activity in environmentally-sensitive areas.

The PRC environmental regulations provide that each project developed by a property developer must undergo an environmental assessment, and an environmental impact assessment report be submitted to the relevant government authorities for approval before construction is commenced. If we fail to comply with such requirements, the local environmental authority may order us to suspend project construction until an environmental impact assessment report is submitted to and approved by such authority. The local environmental authority may also impose on us a fine of 1%-5% of the total investment amount in respect of such project. There have been instances where certain of our project companies in the PRC received administrative penalties imposed by the environmental authorities as a result of commencing construction of projects before submitting the environmental impact assessment report to the relevant government authorities for approval. For example, in May 2017, one of the local environmental authorities in Anhui has issued an administrative penalty notice to one of our project companies that such project company has been imposed fines of an amount of approximately RMB30.7 million (US\$4.6 million) for commencing construction without submitting the environmental impact assessment report to the environmental authorities for approval. In November 2017, one of our project companies in Shandong were imposed fines of approximately RMB14 million for commencing project construction without obtaining approvals for the environmental impact assessment report from the local environmental authorities. In April 2018, the local oceanic authorities in Hainan imposed an administrative fine of approximately RMB8.0 million (US\$1.2 million) on one of our project companies and further suspended its project construction for failing to obtain approvals of environmental impact assessment before commencing construction. One of our project companies in Changsha was required to suspend construction and a fine of approximately RMB4 million (US\$0.6 million) was imposed against it as a result of it failing to obtain approvals relating to environmental impact assessments from the local environmental authority before commencing renovation and expansion of its property project. We are currently applying for the approval of environmental assessment for certain of our projects. We cannot assure you that we will be able to obtain these approvals in a timely manner.

In addition, PRC law had required environmental facilities included in property developments to pass inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our property projects have environmental facilities that are subject to this requirement and are currently applying for inspection by the environmental authorities. We cannot assure you that we will be able to pass such inspections in a timely manner. If we fail to comply with this inspection requirement, the local environmental authorities may order us to suspend construction or use of the relevant facilities, which may disrupt our operations and adversely affect our business. Such authorities may also impose on us a fine below RMB2 million and other penalties in respect of such project and there have been instances in the past when certain of our project companies in the PRC were imposed administrative penalties, including suspension of the use of the relevant sewage plant, by the environmental authorities as a result of non-compliance with the relevant PRC laws on environmental protection. We cannot assure you that we will obtain such approvals in a timely manner. In the event that such completion approvals cannot be obtained or if a fine is imposed on us, our business and our financial condition may be adversely affected. From November 20, 2017, after the completion of project construction, the project company (other than the environmental authorities) should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, and disclose the report to the public by submitting relevant data and information to the online platform for completed projects' environmental protection inspection, which is maintained by the Ministry of Ecology and Environment.

Although the environmental investigations conducted by local environmental authorities to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware. We cannot assure you that a future environmental investigation will not reveal any material environmental liability. Also, we cannot assure you that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there is no assurance that we would be able to comply with any such laws and regulations, in the PRC or elsewhere where we conduct or may conduct our operations. See "Business—Environmental matters" for further details of environmental matters.

In terms of environmental liability, we have particular exposure through our Country Garden Forest City project

Country Garden Forest City ("Forest City") is a vertical and multi-tiered city project situated in Iskandar, Malaysia and linked to Singapore by a bridge. It is being developed by a joint venture that we formed with the government of the state of Johor, Malaysia. It is an urban development project with an expected total development term of 20 years. We hold a 60% equity interest in the joint venture. It has a site area of 20 sq.km. under its development plan. Such a long-term and significant development exposes us to potential liability based on claims of damage to the environment and related claims. As a specific example, Forest City has drawn criticism from certain international and local environmental activist groups, in addition to the environmental ministry in Singapore. These activists are concerned that several development projects in Johor, which include the Forest City project, will result in damage to the intertidal seagrass meadow on Merambong shoal off Johor. This, in addition to other potential environmental claims,

potentially expose us to liability that is specific to the Forest City project. At this time we are unable to assess whether the related criticism, scrutiny or liability claims would result in negative consequences in the future, including the disruption of construction and development of the project, affect our reputation or lead to potential legal action against us. Any of the forgoing may have a material adverse effect to our business, financial condition or results of operations.

The construction business and the property development business are subject to claims under statutorily mandated 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 third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses in resolving 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.

Our success depends significantly on the continued services of our senior management team and other key personnel

Our future success depends significantly upon the continuing services of the members of our senior management team, in particular our chairman and executive director, Yeung Kwok Keung, who has extensive experience in the property industry in the PRC. Yeung Kwok Keung is responsible for formulating development strategies, making decisions on investment projects and setting the direction of our operations and overall business management. Our president and executive director, Mo Bin, also has extensive experience in property development and corporate management. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may be unable to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially adversely affected.

In addition, we depend on the continued service of our executive officers and other skilled managerial and technical personnel, notably including our designers and architects. Competition for senior management and key personnel is intense, and the pool of qualified candidates is very limited. Our business could be adversely affected if we lose the services of our senior executives or key personnel without suitable replacements or if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business.

Further, as we expect our business to continue to grow, we will need to recruit and train additional qualified personnel. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Our purchase contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales

We have included information relating to our contracted sales in this offering memorandum. Contracted sales refer to the purchase price of formal purchase contracts we entered into with

purchasers of our properties. We compile contracted sales information through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information included in this offering memorandum should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

The interests of our controlling shareholder may not always align with our interests

Our controlling shareholder, Yang Huiyan, beneficially owned approximately 57.22% of our Company as of the date of this offering memorandum. The interests of our controlling shareholder may differ from our interests or the interests of our creditors, including the holders of the Notes. Our controlling shareholder could have significant influence in determining the outcome of any corporate transactions or other matters submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. Our controlling shareholder also has the power to prevent or cause a change in control. Without the consent of our controlling shareholder, we may be prevented from entering into transactions that could be beneficial to us. As a company listed on the Hong Kong Stock Exchange, we are also required to maintain robust internal control and corporate governance procedures to ensure that our personnel will maintain confidentiality of sensitive and confidential information. Leakage of any confidential or price sensitive information, and the trading of our shares on the basis of such information, including by our controlling shareholder, may contravene relevant insider trading regulations. In addition, our controlling shareholder also holds interest in companies other than us. We cannot assure you that our controlling shareholder will act entirely in our interest or that any potential conflicts of interest will be resolved in our favor.

Land use rights certificates and building ownership certificates of certain of the properties owned or used by us have not been obtained

We have not obtained building ownership certificates for certain of our properties, including: a bowling alley in Shunde Country Garden, a health center in Shunde Country Garden Hospital and staff quarters in Lirendong. Our PRC legal advisor has advised us that because of the lack of building ownership certificates for these properties, we may be ordered by the relevant PRC government department to (i) remedy the defect and pay a fine which represents more than 2% but less than 4% of the consideration payable under the relevant construction agreement of these properties, (ii) compensate for losses suffered by the users of these properties or (iii) vacate these properties. In the event that any of these penalties is imposed on us, our business may be affected.

In addition, we lease certain land and buildings from third parties who have not obtained the relevant land use rights certificates or the building ownership certificates, as applicable. We use these properties mainly to create additional green space for our property developments or as housing for some of our employees. In the event that the leases with these third parties are invalidated due to defects in the leased properties' title, we will have to return or restore the

properties, which may affect the overall appeal of the relevant property developments. We will also have to find substitute housing for employees living in such premises.

We may be treated as a PRC resident enterprise for PRC tax purposes, which may subject us to PRC income taxes on our worldwide income and PRC withholding taxes on interest we pay on the Notes

Under the Enterprise Income Tax Law (企業所得稅法) (“EIT Law”) and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (including companies such as ourselves).

We hold our shareholders’ meetings and certain board meetings outside China and keep our shareholders’ list outside China. However, most of our directors and senior management are currently based inside China and we keep our books of account inside China. The above elements may be relevant for the tax authorities to determine whether we are PRC resident enterprises for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether we have a “de facto management body” located in China for PRC tax purposes, we take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for EIT purposes, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest and other amounts would be regarded as being derived from sources within the PRC. In addition, if we fail to do so, we may be subject to fines and other penalties. Similarly, any gain realized by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and would accordingly be subject to a 10% PRC withholding tax.

PRC regulations relating to investment in offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability, limit our ability to contribute capital into or provide loans to our PRC subsidiary, limit our subsidiaries’ ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us

SAFE has promulgated several regulations, including the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound

Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular No. 75, issued on October 21, 2005, and its implementation rules, or the attachment of Circular No. 59, issued in November 2012, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through 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), or Circular No. 37.

Circular No. 37 and other relevant SAFE rules require PRC residents, including both legal and natural persons, to register with the banks before making capital contribution to any company outside of China (an “offshore SPV”) with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Due to uncertainty concerning the reconciliation of these SAFE rules with other approval or registration requirements, it remains unclear how these rules, and any future legislation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We attempt to comply, and attempt to ensure that our shareholders who are subject to these rules comply, with the relevant requirements. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or update any applicable registrations or comply with other requirements of these or other related rules. The failure or inability of our PRC resident shareholders to make any required registrations or comply with other requirements may subject such shareholders to fines and legal sanctions and may also limit our ability to contribute additional capital or provide loans to (including using the proceeds from any equity or debt securities offerings) our PRC subsidiaries, limit our PRC subsidiaries’ ability to increase their registered capital, pay dividends or otherwise distribute profits to us, or otherwise adversely affect us.

Our investments in the PRC and our overseas projects are subject to the PRC government’s control over foreign investment in the property sector and foreign exchange and capital outflow policies

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. On May 23, 2007, the Ministry of Commerce (“MOFCOM”) and SAFE

jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC (關於進一步加強規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

- foreign investment in the property sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, either (i) both the land use rights certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing titles should be entered into;
- foreign-invested real estate enterprises approved by local authorities shall immediately register with MOFCOM through a filing made by the local authorities; and
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effect foreign exchange settlements of capital account items for those foreign-invested real estate enterprises which have not completed their filings with MOFCOM or fail to pass the annual inspection.

In June 2008, to strengthen regulation of foreign-invested real estate enterprises, MOFCOM issued the “Notice Regarding Completing the Registration 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). According to this notice, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level of MOFCOM is required to verify all filing materials regarding such foreign-invested real estate enterprise and to make a report to the national level of MOFCOM. This notice also requires that each foreign-invested real estate enterprise undertake only one approved property project. In November 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into the Real Estate Industry (關於加強外商投資房地產業審批備案管理的通知), which reiterated these limitations on foreign-invested real estate enterprises. On June 24, 2014, MOFCOM and SAFE jointly issued the Circular on Improving the Record-filing for Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective on August 1, 2014. According to this circular, the provincial branch of MOFCOM, instead of MOFCOM, will be in charge of the filing work of the foreign-invested real estate enterprises. On November 11, 2015, MOFCOM and SAFE jointly issued the “Circular on Further Improving the Record-filing for Foreign Investment in Real Estate” (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

On December 31, 2016, SAFE emphasized in a post on its website that its review of applications for foreign currency purchase would be tightened. In particular, it explicitly prohibited individuals from buying foreign currencies for purposes of purchasing real estate overseas. These foreign exchange restrictions make it more difficult for domestic investors to buy property overseas.

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

For more information about policies adopted by the PRC government with respect to the PRC property sector, see “Regulation—Legal supervision relating to property sector in the PRC—B. Foreign-invested real estate enterprises.”

PRC regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Provisions”) issued by six PRC ministries, including MOFCOM, effective from September 8, 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-invested enterprise or subscribe to the increased capital of a domestic non-foreign funded enterprise, and thus convert the domestic non-foreign-invested enterprise into a foreign invested enterprise to conduct asset merger and acquisition. It also provides the takeover procedures for equity interests in domestic companies. On June 28, 2017, MOFCOM and NDRC jointly issued the Catalog of Guidance on Industries for Foreign Investment (2017 Revised) effective from July 28, 2017. It provided that filing with the relevant authorities, instead obtaining approvals, is required for foreign investors to acquire Chinese companies if those foreign investors are not subject to the special administrative measures on foreign investment entry excluding the foreign entity established or controlled by PRC enterprises, companies or individuals to acquire its affiliated Chinese company. Subsequently, on July 30, 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises to implement the aforesaid filing procedures with regard to the acquisitions of Chinese companies by foreign entities.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised in the offering in our business in the PRC

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On April 28, 2013, SAFE issued the “Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007. These regulations effectively prohibit us from injecting funds into our PRC project companies by way of shareholder loans. Without the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date to pay the principal of the outstanding Notes.

Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy in the PRC, or that prevent us from deploying in the PRC, the funds raised outside China. On June 27, 2018, NDRC emphasized in a press release that the

proceeds from offshore bond offerings of PRC property enterprises shall be mainly used for the repayments of the existing debts and shall be restricted from being used for onshore or offshore property project investment or working capital. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

According to Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (“Circular 3”), issued by SAFE on January 26, 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise’s capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to SAFE’s subsequent practice.

The national and regional economies in China and the places where we conduct our operations 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 the places where we conduct our operations. 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 such places. Some regions in China, Malaysia, Indonesia and Australia, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts, 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 May 2008 and subsequently, resulting in tremendous loss of lives, injuries and destruction of assets in the region. 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 or the places where we conduct our operations, such as the Ebola virus, the H5N1 avian flu or the human swine flu, may result in material disruptions to our property development and our sales, which in turn may adversely affect our business, financial condition and results of operations.

Risks relating to the property sector in the PRC

The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry’s growth

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable 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, foreign exchange, property financing, taxation and foreign investment.

Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

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

- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year 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 June 1, 2006, consist of units with floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the “70:90 rule”);
- tightening availability of bank loans to property developers and property purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and
- 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.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not seen this policy being stringently applied across all applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Beginning in the fourth quarter of 2009, the PRC government enacted policies intended to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly. Measures adopted include:

- requiring a minimum down payment of at least 30% of the purchase price for the acquisition of the purchaser’s first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of more than 90 sq.m. for self-use;
- requiring a minimum down payment of at least 20% of the purchase price for the acquisition of the purchaser’s first residential property (including his or her spouse and minor children) using housing reserves to buy an ordinary home with a unit floor area of not more than 90 sq.m. for self-use;
- requiring a minimum down payment of at least 60% with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase

of a second residential property through mortgage financing. 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;

- 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;
- eliminating preferential tax treatment for transfers of residential properties by property owners with respect to certain business taxes and effective from January 28, 2011, business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase;
- prohibiting all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance from obtaining bank loans for new projects or extension of credit facilities;
- limiting the availability of second housing reserve loans to families whose per capita living area is below the average in their locality and requiring that such loans be used only to purchase an ordinary home for self-use in order to improve their living conditions; and
- restricting purchasers (including their spouses and minor children) in certain targeted cities that are local residents with two or more residential properties, non-local residents with one or more residential properties or non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, from purchasing any residential properties.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. 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 September 29, 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. 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. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to affect our business and results of operations. See “Regulation—Legal supervision relating to property sector in the PRC.”

In addition, the State Council has approved on a trial basis the launch of 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 January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. Under the measures issued by the Shanghai government, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. Under the measures issued by the Chongqing government, property tax will be imposed within the nine major districts of Chongqing, on (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 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 January 28, 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. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the governments of Beijing and Guangzhou have recently adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the pre-sale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the “second generation” personal identification cards for the review of their eligibility to purchase residential properties in Beijing.

Many cities in the PRC had already promulgated measures to restrict the number of residential properties one family is allowed to purchase. In order to implement the central government’s requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. 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. Any such measures could have a material adverse effect on our business, financial condition or results of operations. Since August 2014, most of the local governments had issued their respective measures to lift the restrictions on the purchase of residential properties. However, since September 2016, certain local governments including without limitation Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Jurong, Yangzhou, Hainan

province and Hangzhou, have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy.

We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government may impose county-wide property tax reform in the near future. We are not sure whether such tax reform will be imposed and neither can we assess the adverse impact of this tax reform on our business operations and financial results. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected. For more information about policies adopted by the PRC government with respect to the PRC property sector, see "Regulation."

The property industry in the PRC is still at an early stage of development, and the property market and related infrastructure and mechanisms have not been fully developed

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

The lack of a liquid secondary market for residential property may discourage investors from acquiring new properties. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights, may further inhibit demand for residential developments.

In addition, risk of property over-supply is increasing in parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived over-supply, property prices may fall significantly and our revenue and profitability will be adversely affected.

Risks relating to the PRC

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

Substantially all of our assets are located in the PRC, and all of our revenue is derived from within the PRC. Accordingly, our results of operations, financial position and prospects are significantly subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- political structure;
- level of government involvement;

- level of development;
- uncertainties in the implementation and enforcement of laws;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. The PRC government has implemented measures from time to time in order to prevent the PRC economy from overheating and will continue to do so according to its national development plans and fiscal or other policies. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If China's economic growth slows down further or if the Chinese economy experiences a recession, the growth or demand for our products may also slow down and our business, financial condition and results of operations will be adversely affected. See "—Risks relating to our business—We may be adversely affected by fluctuations in the global economy and financial markets." In May 2017, Moody's 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.

Moreover, we are susceptible to any foreign exchange and capital control policies adopted by the PRC government that restricts its citizens from converting its local currency into other currencies for overseas property purchases in order to curb capital outflows, particularly since a substantial portion of the purchasers of some of our overseas projects are, and are expected to continue to be, PRC persons subject to the PRC government's foreign exchange control and capital outflow policies. We cannot guarantee that this will not adversely affect the success of our overseas property projects or that it will not adversely affect our business, financial condition and results of operations.

In addition, demand for our products and our business, financial condition and results of operations may be adversely affected by:

- political instability or changes in social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Governmental control of currency conversion may affect the value of your investment

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the 2023 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2019 Convertible Bonds, the 2023 Convertible Bonds, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the Notes.

The PRC legal system has inherent uncertainties that could affect our business and results of operations as well as the interest of investors in the Notes

As majority of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. For example, we have registered the issuance of the Notes with the NDRC with reference to the NDRC Notice and are required to file a post-issuance report with the NDRC within 10 PRC working days after the issue date of the Notes pursuant to the registration certificate. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. If we fail to complete such filing in accordance with the relevant requirements, due to any change in the relevant regulation we may be subject to penalties or other enforcement actions by relevant PRC government authorities. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

Our primary operating subsidiaries were incorporated in China as “wholly foreign-owned enterprises.” Although we or our wholly owned subsidiaries are the sole shareholders of, and

therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us in the PRC any judgments obtained from non-PRC courts.

Risks relating to the Notes

Certain initial investors, including our chairman and executive director, Mr. Yeung Kwok Keung, may own a significant portion of the April 2026 Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the April 2026 Notes. Additionally, this may reduce the liquidity of the April 2026 Notes in the secondary trading market

Certain initial investors, including our chairman and executive director, Mr. Yeung Kwok Keung, may purchase and own a significant portion of the April 2026 Notes being offered under this offering memorandum. Mr. Yeung Kwok Keung, through his directly wholly-owned company, Fine Nation Group Limited, is expected to be allocated an aggregate principal amount of US\$300 million of the April 2026 Notes, which is more than 25% of the aggregate principal amount of the April 2026 Notes.

Any holder that holds a significant percentage of the April 2026 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 of the April 2026 Notes. For example, holders of at least 25% in

aggregate principal amount of the April 2026 Notes may declare all of the April 2026 Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing.

The existence of any such significant holder may reduce the liquidity of the April 2026 Notes in the secondary trading market. Additionally, as our chairman and executive director may also purchase the April 2026 Notes, circumstances may occur in which our interests or those of our chairman and executive director may be in conflict with the interest of other holders of the April 2026 Notes. If such holder or our chairman and executive director sells a material portion of the April 2026 Notes in the secondary market, it may materially and adversely affect the trading price of the April 2026 Notes. The negative effect of such sales on the prices of the April 2026 Notes could be more pronounced if secondary trading in the April 2026 Notes is limited or illiquid.

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

We are a holding company with no material operations. We conduct our operations primarily through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the applicable Indentures, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees will depend upon our receipt of principal and interest payments and the distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would have priority over the claims of the holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including their obligations under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2018, indebtedness of our PRC subsidiaries constituted more than half of our total borrowings (other than our senior notes and offshore facilities). The Notes and the Indentures do not restrict the ability of our subsidiaries to issue certain categories of guarantees in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of the Subsidiary Guarantor securing the related obligations over claims of the holders of the Notes.

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

As a holding company, we depend on the receipt of dividends and the interest or principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions,

restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments 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 on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of net profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In practice, our PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of our PRC subsidiaries are also subject to certain restrictions on dividend distributions or on shareholder loan repayment under their loan agreements with certain PRC banks. As a result, some of our PRC subsidiaries may be restricted in their ability to transfer their profits to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business. See “Description of other material indebtedness.”

In addition, under the EIT Law and its implementation rules, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Currently, there is no such treaty between the PRC and the British Virgin Islands, where substantially all of our non-PRC subsidiaries are incorporated. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5%. As a result of such limitations, dividend payments from our PRC subsidiaries may not be sufficient to meet our payment obligations required by the Notes or to satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to pay off the Notes at maturity or as required for any early redemption.

In addition, our ability to lend offshore shareholder loans to our property developer subsidiaries in the PRC is fairly limited. See “—The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised in the offering in our business in the PRC.” Furthermore, in practice, the market interest rate that our PRC non-property developer subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders’ loans paid by these subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% withholding tax on our behalf on the interest paid under any shareholders’ loans. PRC regulations require approval by SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the 10% withholding tax on the

interest payable in any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further on May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The International Monetary Fund announced on September 30, 2016 that, effective October 1, 2016, the Renminbi was added to 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 PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into 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 adjustments. The Initial Purchaser and its affiliates may enter into such hedging agreements permitted under the Indentures governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

In June 2016, we entered into the GS ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the GS Guarantee and secured by the Collateral. In May 2017, we entered into the DB ISDA Agreement with Deutsche Bank AG, our obligations under which are guaranteed by the Subsidiary Guarantors under the DB Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security. Any default or

termination under such swap arrangements could result in cross defaults under our other debt agreements or bond indentures, leading to enforcement of the Collateral.

We may not be able to repurchase the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors or the Notes upon a change of control triggering event

We must offer to purchase the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors and 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 "Description of the April 2024 Notes," "Description of the April 2026 Notes," "Description of other material indebtedness—2021 Notes—Change of control," "Description of other material indebtedness—Private Notes—Change of control," "Description of other material indebtedness—2020 Notes—Change of control," "Description of other material indebtedness—September 2023 Notes—Change of control," "Description of other material indebtedness—2026 Notes—Change of control," "Description of other material indebtedness—2022 Notes—Change of control," "Description of other material indebtedness—January 2023 Notes—Change of control," "Description of other material indebtedness—January 2025 Notes—Change of control," "Description of other material indebtedness—March 2021 Notes—Change of control," "Description of other material indebtedness—January 2022 Notes—Change of control," "Description of other material indebtedness—January 2024 Notes—Change of control," "Description of other material indebtedness—2023 Convertible Bonds—Change of control," "Description of other material indebtedness—April 2022 Notes—Change of control."

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 the outstanding 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors or the Notes. Our failure to make the offer to purchase or purchase the outstanding the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors or the Notes would constitute an event of default under the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors and the Notes, respectively. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase or otherwise satisfy our obligations under the 2021 Notes, the Private Notes, the 2020 Notes, the

September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the April 2022 Notes, any other pari passu indebtedness of the Company and the Subsidiary Guarantors and the Notes and repay the debt.

In addition, the definition of change of control triggering event for purposes of the Indentures governing the Notes 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 definition of change of control triggering event for purposes of the Indentures governing the Notes also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase such aforementioned notes and the Notes, and the ability of a holder of such aforementioned notes or the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

In light of land prices, the capital intensive nature of land acquisitions, sizes of projects, the competitive landscape and other factors, we may from time to time consider developing properties jointly with other property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the Indentures governing the Notes. Although the Indentures governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or joint ventures, these restrictions are subject to important exceptions and qualifications, in particular, in Unrestricted Subsidiaries that are engaged in non-residential property businesses. See “Description of the April 2024 Notes—Certain covenants—Limitation on Restricted Payments,” “Description of the April 2026 Notes—Certain covenants—Limitation on Restricted Payments,” and the definition of the “Permitted Investment” in the “Description of the April 2024 Notes,” and “Description of the April 2026 Notes.” As of the date of this offering memorandum, we have designated a number of Unrestricted Subsidiaries. See “Corporate Structure.”

Under the terms of the Notes, we are not subject to the restrictions related to “Permitted Business”

Under the terms of the Notes, we are not subject to the restrictions related to “Permitted Business.” Without such restrictions, we will, among other things, (i) be able to invest in and make payments to entities and businesses not in the real estate industry through Permitted Investment, and (ii) have additional flexibility to incur indebtedness, as “purchase money indebtedness” will no longer be subject to the condition that the indebtedness is incurred to acquire assets used in the Permitted Business. Such changes may result in a higher indebtedness level, and additional cash outflow.

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

In the event we are treated as a PRC “resident enterprise” under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the April 2024 Notes—Redemption for taxation reasons” and “Description of the April 2026 Notes—Redemption for taxation reasons” in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or certain other circumstances, including any change or interpretation or the stating of an official position that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States, may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, the Subsidiary Guarantors are incorporated in the BVI and the insolvency laws of the BVI may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar. Also, certain of our subsidiaries are incorporated in other jurisdictions such as Malaysia, Indonesia and Australia and the insolvency laws of these jurisdictions may also differ from the United States or a jurisdiction with which the holders of the Notes are familiar.

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid). Pursuant to the

EIT Law, which became effective in January 1, 2008, if we are deemed a “non-resident enterprise,” dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including the failure of SAFE to approve the registration of the relevant intercompany loans or to approve the payments under such loans, the PRC subsidiary will be unable to pay us dividends or interest and principal, when due, on the relevant intercompany loans, which may affect our ability to satisfy our obligations 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. Our total borrowings, including bank and other borrowings, receipts under securitization arrangements, senior notes, the Convertible Bonds and corporate bonds, as of December 31, 2018, was RMB329,269 million (US\$47,890 million), respectively.

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

- limit our ability to satisfy our obligations under the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds, the April 2022 Notes, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan 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 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. Although the indentures governing the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications.

Under the Notes, our ability to incur additional debt is subject to the limitation on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. In addition, Consolidated Fixed Charges comprises of Consolidated Interest Expense and dividends paid on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary. Because our definition of Consolidated Interest Expense, with respect to interest accruing on indebtedness of any person other than the Company or any Restricted Subsidiary that is guaranteed by, or secured by a lien on any asset of, the Company or any Restricted Subsidiary only includes interest that has become due and payable by the Company or any Restricted Subsidiary, as the case maybe, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenant typically includes such interest regardless of whether it has become due and payable by the Company or any Restricted Subsidiary or not. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. 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 alternative strategies. These 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 indenture governing the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes and the April 2022 Notes prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other 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 financing arrangements also impose operating and financial restrictions on our business. See "Description of other material indebtedness." Such restrictions in the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business or the economy in general. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the

March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and other debt.

If we are unable to comply with the restrictions and covenants in our debt agreements, the indentures governing the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the Notes, the trust deed governing the 2023 Convertible Bonds or the facility agreement governing the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in the Indentures governing the Notes, or our current or future debt and other agreements (including the indentures governing the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, and those governing the Notes, the trust deed governing the 2023 Convertible Bonds, or the facility agreement governing the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan), there could be a default under the terms of these agreements. Under the facility agreement governing the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, it is also required that Mr. Yeung Kwok Keung or Ms. Yang Huiyan remain as our chairperson, individually or collectively remain the largest beneficial owner of our issued share capital among others. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate 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, including the indentures governing the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and the Notes, the trust deed governing the 2023 Convertible Bond, the facility agreement governing the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the Notes, the 2023 Convertible Bond, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The indentures governing the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and the Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness 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.

There may not be an active trading market for the Notes, and there are restrictions on resales of the Notes

Application will be made for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain such listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer restrictions." We cannot predict whether an active trading market for the Notes will develop or be sustained.

The Notes may initially be sold to a small number of investors; accordingly, a liquid trading market for the Notes may not develop. In addition, 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 Noteholders. Our affiliates may also purchase the Notes.

The Notes may initially be sold to a small number of investors. Some of such investors may be affiliates of the Initial Purchasers. One or a limited number of investors may purchase a significant portion of any of the Notes offered. Accordingly, a liquid trading market may not develop or be sustained, in which case you may not be able to resell your Notes at their fair market value or at all. In addition, one or more of the initial investors may purchase a significant percentage or a majority of the aggregate principal amount of the Notes in this offering. Any holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and documents relating to such Notes. For example, subject to certain exceptions, the holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in “Description of the April 2024 Notes—Amendments and waiver,” “Description of the April 2026 Notes—Amendments and waiver,” the Indentures, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes, and any Default or Event of Default or compliance with any provision of the Notes, the Subsidiary Guarantees, the Intercreditor Agreement, the Indentures and any Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the Notes, subject in each case to certain exceptions. Accordingly, any investor that holds a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all such Noteholders and control the outcome of votes on such matters. 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 such Noteholders. For example, holders of at least 25% in aggregate principal amount of the Notes may declare the principal of, premium, if any, and accrued and unpaid interest on the relevant Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing. Further, certain of our affiliates may purchase some of the Notes for investment. Circumstances may occur in which our interests or those of our affiliates may be in conflict with the interest of other Noteholders. If a substantial portion of the Notes held by our affiliates were to be offered for sale in the secondary market, the market price of the Notes may fall. The negative effect of such sales on the prices of the Notes could be more pronounced if secondary trading in the Notes is limited or illiquid.

The ratings assigned to the Notes may be lowered or withdrawn in the future

The Notes are expected to be rated BBB- by Fitch Ratings. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. Additionally, we have been rated BB+ with a stable outlook by Standard & Poor’s Ratings Services, Ba1 with a stable outlook by Moody’s Investors Service and BBB- with a stable outlook by Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders

of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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. Changes in our revenues, earnings and cash flows and proposals of new investments, strategic alliances or acquisitions, interest rates, prices for comparable companies, government regulations 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 volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

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

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

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 differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAP.

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" covenants under the indentures

Our shares are listed on the Hong Kong 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 any class of Capital Stock 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 are subject to the independent shareholders’ requirement under the Listing Rules. 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 of the Notes for any such transactions.

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

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

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 Notes represented by global notes will trade in book-entry form only, and the Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the global note representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global note 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 note representing the Notes and credited by such participants to indirect participants. After payment to the nominee of 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 Indentures.

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 Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through 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.

Risks relating to the Subsidiary Guarantees and the Collateral

Our initial Subsidiary Guarantors do not currently have significant operations

Although we conduct substantially all of our business operations through our PRC subsidiaries, none of our current PRC subsidiaries will provide a Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that may be organized under the laws of the PRC, or what are not permitted by applicable law or regulation to guarantee the Notes (the "Exempted Subsidiaries"), will provide a Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain Non-Guarantor Subsidiaries and under the terms of the Indenture, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the notes, if the consolidated assets of all these subsidiaries (other than the Exempted Subsidiaries) do not exceed 20% of our total assets, or if the applicable law or regulation does not allow such guarantee or pledge. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and other Non-Guarantor Subsidiaries. In addition, the Collateral will not include the capital stock of our existing or future PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future would have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. In addition, we are permitted to release any Subsidiary Guarantors upon other circumstances including when they are designated as Unrestricted Subsidiaries, subject to the satisfaction of the conditions in the senior note indentures, including the Indenture. If we designate any Subsidiary Guarantors under our other senior notes as Unrestricted Subsidiaries, they will similarly be designated as Unrestricted Subsidiaries and will not guarantee the Notes. We have designated Wise Fame Group Ltd and United Gain Group Ltd as Unrestricted Subsidiaries, which will not guarantee the Notes.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to

a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 20% of our total assets.

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

Under bankruptcy laws, fraudulent transfer laws, insolvency laws or unfair preference or similar laws in the BVI and other jurisdictions where future Subsidiary Guarantors may be established or where insolvency proceedings may be commenced with respect to any such 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 and where applicable, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- (1) incurred the debt with the intent to hinder, delay or defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- (2) 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; or
- (3) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor.

In the case of (2) and (3) 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. Insolvency 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 voidable if it is given within the six-month period preceding the commencement of liquidation or within the two-year period, if the guarantor and the beneficiary are connected entities.

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 on its existing debt as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the 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.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees.

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

The charge of certain Collateral may in certain circumstances be voidable

The charge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of the Cayman Islands and the BVI at any time within six months of the creation of the charge or, under some circumstances, within a longer period. Charges of capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the charge of certain Collateral may be voided based on the analysis set forth under “—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees.”

If the charges 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

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be charged as additional Collateral.

The ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of 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 Guarantor, 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.

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the

2023 Convertible Bonds, the lenders of the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, Goldman Sachs International and Deutsche Bank AG. Accordingly, in the event of a default on the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, GS Hedging Obligations, the DB Hedging Obligations and other permitted pari passu secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by 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 is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes, the Subsidiary Guarantees and other pari passu secured indebtedness, and the Collateral securing the Notes and such Subsidiary Guarantee 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 Indenture and the Intercreditor Agreement.

The pledge of certain Collateral may be released under certain circumstances

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

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

If so instructed by the holders of the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds, the lenders of the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan and the December 2018 Loan, Goldman Sachs International, Deutsche Bank AG or other permitted pari passu secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Intercreditor/Collateral Agent is required to take action to enforce the Collateral. Any such enforcement action would adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Notes to enforce the Collateral, as only the Intercreditor/Collateral Agent is permitted to take enforcement actions. The Intercreditor/Collateral Agent, pursuant to the Intercreditor Agreement, the Security Documents

and underlying indentures, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

If an Event of Default occurs under the Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations, the DB Hedging Obligations or other permitted pari passu secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Intercreditor/Collateral Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

Use of proceeds

We intend to use the net proceeds from this offering mainly for refinancing existing offshore indebtedness.

Capitalization

The following table sets forth on an actual basis our consolidated cash and cash equivalents and capitalization as of December 31, 2018, and as adjusted to give effect to the issuance of the Notes now being issued before deducting the discounts and commission and other estimated expenses of this offering. The following table should be read in conjunction with the selected consolidated financial and other data, the audited consolidated financial statements and related notes included elsewhere in this offering memorandum. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization since December 31, 2018.

(in millions)	As of December 31, 2018			
	Actual		As Adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
Cash and cash equivalents⁽¹⁾	<u>228,343</u>	<u>33,211</u>	<u>238,656</u>	<u>34,711</u>
Short-term borrowings				
Bank and other borrowings	91,844	13,358	91,844	13,358
Receipts under securitization arrangements	794	116	794	116
Corporate bonds	23,964	3,485	23,964	3,485
Convertible bonds	8,051	1,171	8,051	1,171
Senior Notes	2,238	326	2,238	326
Total short-term borrowings	<u>126,891</u>	<u>18,456</u>	<u>126,891</u>	<u>18,456</u>
Long-term borrowings⁽³⁾⁽⁴⁾				
Bank and other borrowings	139,839	20,339	139,839	20,339
Senior Notes	39,478	5,742	39,478	5,742
Notes to be issued	-	-	10,313	1,500
Corporate bonds	17,944	2,610	17,944	2,610
Convertible bonds	5,117	744	5,117	744
Total long-term borrowings	<u>202,378</u>	<u>29,435</u>	<u>212,691</u>	<u>30,935</u>
Total equity attributable to owners of the Company	<u>121,330</u>	<u>17,647</u>	<u>121,330</u>	<u>17,647</u>
Total capitalization⁽²⁾⁽⁶⁾	<u>450,599</u>	<u>65,538</u>	<u>460,912</u>	<u>67,038</u>

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB14,200 million (US\$2,065.3 million). The board of Directors recommended the payment of a 2018 final dividend of RMB30.32 cents (US\$4.41 cents) per share, totalling RMB6,563 million (US\$955 million). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

(2) As of December 31, 2018, our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties and to joint ventures, associates and certain third parties in respect of borrowings, amounted to approximately RMB377,329 million (US\$54,880 million) in aggregate. See "Management's discussion and analysis of financial conditions and results of operations—Liquidity and capital resources—Contingent liabilities" and "—Capital commitments."

(3) Long-term borrowings include bank and other borrowings, senior notes and corporate bonds, and exclude the current portion of long-term borrowings.

(4) Subsequent to December 31, 2018, we have, in the ordinary course of business, entered into additional financing arrangement to finance our property developments and for general corporate purposes. These additional borrowings are not reflected in the table above. See "Description of other material indebtedness."

(5) On January 17, 2019, we issued the January 2024 Notes in an aggregate amount of US\$450 million and the April 2022 Notes in an aggregate amount of US\$550 million. See "Description of Material Indebtedness—January 2024 Notes" and "Description of Material Indebtedness—April 2022 Notes." The capitalization table above has not been adjusted to reflect the issuance of the additional January 2024 Notes and the April 2022 Notes.

(6) Total capitalization equals total short-term borrowings and total long-term borrowings plus equity attributable to owners of the Company.

We continue to enter into short-term and long-term borrowings in the ordinary course of business, such as construction and project loans. In addition, we may from time to time enter into other financing arrangements, such as corporate bonds, securitization arrangements, offshore facilities, trust financing arrangements and perpetual loan arrangements. See “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources—Capital resources” and “Description of other material indebtedness.” For example, subsequent to December 31, 2018, we issued additional January 2024 Notes and April 2022 Notes. See “Description of other material indebtedness.” We may continue to incur additional indebtedness through bank borrowings or issuance of debt securities or otherwise in the ordinary course of business.

Selected consolidated financial and other data

The following tables present our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2016, 2017 and 2018 (except for EBITDA data) is derived from our audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018 and included elsewhere in this offering memorandum. The selected consolidated financial data as of and for each of the years ended December 31, 2016, 2017 and 2018 may not be indicative of the results that may be expected for any other financial year. Our financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from IFRS. The summary financial data below should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations" and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

Selected consolidated income statement and statement of comprehensive income information

(in millions, except percentages)	For the year ended December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
Revenue	153,087.0	226,899.8	379,079	55,135
Cost of sales	(120,850.9)	(168,114.4)	(276,603)	(40,230)
Gross profit	32,236.1	58,785.4	102,476	14,905
Other income and gains—net	1,530.5	2,611.5	4,344	632
Gains arising from changes in fair value of and transfer to investment properties	711.6	504.7	1,732	252
Selling and marketing costs	(7,383.6)	(10,002.4)	(12,533)	(1,823)
Administrative expenses	(4,882.9)	(7,269.0)	(16,601)	(2,415)
Net impairment losses on financial and contract assets	(88.4)	(339.0)	(1,176)	(171)
Research and development expenses	-	(693.0)	(1,224)	(178)
Operating profit	22,124.2	43,598.2	77,018	11,202
Finance income	532.9	3,422.7	2,445	356
Finance costs	(1,628.2)	(146.6)	(1,097)	(160)
Finance (costs)/income—net	(1,095.3)	3,276.1	1,348	196
Share of results of joint ventures and associates	361.7	(352.3)	1,197	174
Profit before income tax	21,390.6	46,522.0	79,563	11,572
Income tax expenses	(7,727.3)	(17,770.2)	(31,021)	(4,512)
Profit for the year	13,663.2	28,751.8	48,542	7,060
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	45.9	(56.4)	107	16
Items that may be reclassified to profit or loss:				
—Deferred gains/(losses) on cash flow hedges, net of tax	90.0	(103.8)	35	5
—Deferred (costs)/gains of hedging, net of tax	(295.9)	750.6	(1,099)	(160)
—Currency translation differences	299.5	155.6	(67)	(10)
Other comprehensive (loss)/income for the year net of tax	139.5	745.9	(1,024)	(149)
Total comprehensive income for the year net of tax	13,802.7	29,497.7	47,518	6,911
Profit attributable to:				
—Owners of the Company	11,516.8	26,063.5	34,618	5,035
—Non-controlling interests	2,146.4	2,688.3	13,924	2,025
	13,663.2	28,751.8	48,542	7,060
Total comprehensive income attributable to:				
Owners of the Company	11,585.2	26,775.1	33,619	4,890
Non-controlling interests	2,217.5	2,722.6	13,899	2,022
	13,802.7	29,497.7	47,518	6,911
Dividends	3,733.4	8,629.5	10,580	1,539
Other Financial Data (unaudited)				
EBITDA ⁽¹⁾	21,949.2	47,845.4	79,530	11,567
EBITDA Margin ⁽²⁾	14.3%	21.1%	21.0%	21.0%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. 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 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 sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's discussion and analysis of financial condition and results of operations—Non-GAAP financial measures" for a reconciliation of our profit for the year 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 Indentures governing the Notes. See "Description of the Notes—Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

Selected consolidated statement of financial position information

(in millions)	As of December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
Non-current assets				
Property, plant and equipment	20,877.0	21,628.1	23,421	3,406
Investment properties	9,773.4	8,338.1	16,435	2,390
Intangible assets	239.4	391.5	670	97
Land use rights	2,536.5	2,425.5	2,496	363
Properties under development	52,342.4	98,840.5	107,812	15,681
Investment in joint ventures	7,311.2	19,345.5	27,891	4,057
Investment in associates	3,873.3	11,584.9	18,768	2,730
Financial assets at fair value through other comprehensive income	870.7	1,517.0	1,796	261
Available-for-sale financial assets	-	-	-	-
Derivative financial instruments	1,034.4	112.6	992	144
Trade and other receivables	55.5	5,372.4	10,962	1,594
Deferred income tax assets	7,822.3	12,197.7	18,701	2,720
	106,736.1	181,753.8	229,944	33,444
Current assets				
Properties under development	216,383.3	360,922.0	626,937	91,184
Completed properties held for sale	30,885.3	27,886.5	44,338	6,449
Inventories	2,203.7	4,251.3	8,822	1,283
Trade and other receivables	123,320.9	272,640.0	426,397	62,017
Contract assets and acquisition costs	-	15,737.8	17,094	2,486
Prepaid income tax	8,043.1	13,198.0	21,350	3,105
Restricted cash	11,844.0	11,318.2	14,200	2,065
Cash and cash equivalents	84,646.9	137,083.9	228,343	33,211
Financial assets at fair value through profit or loss	7,321.2	24,830.4	12,019	1,748
Derivative financial instruments	187.1	47.3	250	36
	484,835.5	867,915.5	1,399,750	203,585
Current liabilities				
Advanced proceeds received from customers	192,408.9	-	-	-
Contract Liabilities	-	346,747.3	562,800	81,856
Trade and other payables	151,789.3	330,883.8	498,821	72,551
Receipts under securitization arrangements	7,043.4	1,805.1	794	115
Current income tax liabilities	15,310.4	21,607.1	30,783	4,477
Senior notes	-	3,795.2	2,238	326
Corporate bonds	8,207.5	16,814.4	23,964	3,485
Convertible bonds	-	-	8,051	1,171
Dividend Payable	-	-	-	-
Bank and other borrowings	30,512.7	47,671.8	91,844	13,358
Derivative financial instruments	41.8	212.0	111	16
	405,314.0	769,536.8	1,219,406	177,355
Net current assets	79,521.5	98,378.6	180,344	26,230
Total assets less current liabilities	186,257.6	280,132.4	410,288	59,674
Non-current liabilities				
Senior notes	29,264.4	28,118.3	39,478	5,742
Corporate bonds	29,502.1	30,520.2	17,944	2,610
Convertible bonds	-	-	5,117	744
Bank and other borrowings	38,710.1	87,845.0	139,839	20,339
Deferred government grants	237.4	233.4	249	36
Deferred income tax liabilities	6,928.3	16,447.6	32,224	4,687
Derivative financial instruments	-	355.9	2,029	295
	104,642.4	163,520.5	236,880	34,453
Equity attributable to owners of the Company				
Share capital and premium	25,677.2	24,460.8	27,881	4,055
Other reserves	4,484.0	5,942.7	8,247	1,199
Retained earnings	39,967.1	63,267.1	85,202	12,392
	70,128.4	93,670.6	121,330	17,647
Non-controlling interests	11,486.8	22,941.4	52,078	7,574
Total equity	81,615.2	116,611.9	173,408	25,221
Total equity and non-current liabilities	186,257.6	280,132.4	410,288	59,674

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes included elsewhere in this offering memorandum. Our consolidated financial statements were prepared in accordance with HKFRS.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

Unless the context otherwise requires, references to "2016", "2017" and "2018" in this offering memorandum are to our financial years ended December 31, 2016, 2017 and 2018, respectively. References to "associate" or "associates" and "joint venture" or "joint ventures" in this section are to associates and joint ventures as respectively defined in HKFRS.

Overview

We are one of the leading integrated property developers in the PRC, with a majority of our assets and operations in the PRC and an expanding footprint of operations outside the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation and fitting. We separately listed our property management subsidiary, Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) ("CG Services"), on the main board of the Hong Kong Stock Exchange on June 19, 2018. Our residential home projects are generally located in urban and suburban areas of cities all throughout the PRC. Recently, approximately 36% of our residential sales have been in first and second tier cities and the remaining 64% in third and fourth tier cities. As of December 31, 2018, we had 2,148 projects at various stages of development located in Mainland China. Of these projects, 480 were located in Guangdong Province: 58 in Guangzhou City, 59 in Dongguan City, 46 in Foshan City, 33 in Jiangmen City, 52 in Huizhou City, 24 in Zhaoqing City, 23 in Qingyuan City 20 in Meizhou City, 25 in Zhongshan City and the remaining in various other cities. We also had 1,668 projects located outside Guangdong Province, spanning 21 provinces, five autonomous regions and four municipalities in the PRC.

In December 2011 we expanded our operations outside of the PRC for the first time, with a project in Malaysia and further expanded into Australia in October 2013. Since the commencement of our overseas expansion we have continued to grow our operations outside of the PRC and, as of December 31, 2018, we had a total of 17 projects outside of the PRC. As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five

projects in Thailand, two projects in the United Kingdom and two projects in New Zealand. See “Risk Factors—We may not be successful in our overseas expansion” and “Business—Description of our property projects.” While we intend on exploring additional opportunities to expand our business outside of the PRC we expect the overwhelming majority of our future revenues to continue being generated by our property development business in the PRC.

As of December 31, 2018, our projects had an aggregate saleable completed GFA of approximately 142,971,718 sq.m. We had an aggregate saleable GFA under development of approximately 128,637,936 sq.m. and an aggregate saleable GFA of approximately 107,796,878 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development.

We also develop hotels to complement our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to such residential projects and enhanced our brand recognition.

Certain profit or loss items

Revenue

Our revenue comprises primarily of proceeds from the sale of properties and provision of services after the elimination of intra-group transactions. Our revenue is primarily generated from our five business segments, consisting of property development, construction, property investment, property management and hotel operation.

The table below sets forth the revenue by segments and their percentage of the total revenue:

	For the year ended December 31,						
	2016		2017		2018		
	Percentage of total revenue		Percentage of total revenue		Percentage of total revenue		
	Amount (RMB in millions)	%	Amount (RMB in millions)	Amount (RMB in millions)	Amount (US\$ in millions)	%	
Property development	148,180.1	96.8	220,157.4	97.0	369,405	53,728	97.4
Construction	1,143.0	0.7	2,304.7	1.0	5,265	766	1.4
Property Investment	97.1	0.1	107.6	0.1	227	33	0.1
Property management	1,959.1	1.3	2,656.3	1.2	1,632	237	0.4
Hotel operation and other	1,707.7	1.1	1,673.8	0.7	2,550	371	0.7
Total	153,087.0	100.0	226,899.8	100.0	379,079	55,135	100.0

Revenue from property development represents proceeds from the sale of our properties. As we derive a substantial amount of our total revenue from the property development segment, our results of operations for a given period are dependent upon the type and GFA of properties we have completed during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions in the property markets in which we operate change from period to period and are significantly affected by the general economic, political and regulatory developments in the PRC. See “—Key factors affecting our performance.”

Before December 31, 2016, we recognized revenue from the sales of properties when the construction was completed and the properties delivered to the purchasers with the collectability of related receivables reasonably assured. From January 1, 2017 onwards, the Group has adopted HKFRS 15. Revenues are recognized when or as the control of the asset is transferred to the customer. If control of the asset transfers over time, revenue is recognized over the period of the

contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset. For each of the years ended December 31, 2016, 2017 and 2018, we recognized revenue of RMB148,180.1 million, RMB220,157.4 million and RMB369,405 million (US\$53,728 million).

Consistent with customary practice in the property development industry in the PRC, after satisfying the conditions for pre-sales according to PRC laws and regulations, we typically enter into purchase contracts with customers while the properties are still under development. See “Business—Property development—Pre-sales.” Generally there is a time difference typically ranging from several months to one year between the time we commence pre-selling of properties under development and the delivery of properties to the purchasers. Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress. The excess of cumulative revenue recognized in profit or loss over the cumulative billings to purchasers of properties is recognized as contract assets and acquisition costs. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognized in profit or loss is recognized as contract liabilities.

Revenue from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Revenue from construction, property management and hotel operation is recognized in the accounting period in which the services are rendered. The revenue generated by certain of our subsidiaries comprising the construction, property management and hotel operation segments from services provided to our projects is eliminated in our consolidated financial statements. For the three years ended December 31, 2016, 2017 and 2018, our construction segment generated revenue of RMB1,143.0 million, RMB2,304.7 million and RMB5,265 million (US\$766 million), respectively; our property management segment generated revenue of RMB1,959.1 million, RMB2,656.3 million and RMB1,632 million (US\$237 million), respectively; and our hotel operation and other segment generated revenue of RMB1,707.6 million, RMB1,673.8 million and RMB2,550 million (US\$371 million), respectively. For the years ended December 31, 2016, 2017 and 2018, our property investment segment generated revenue of RMB97.1 million, RMB107.6 million and RMB227 million (US\$33 million), respectively.

Cost of sales

Cost of sales comprises the costs incurred from our five business segments. Cost of sales represents primarily the costs we incur directly for our property development activities which include construction, decoration and design costs, land use rights cost and business taxes and levies.

Other income and gains—net

Other income and gains—net represent other income and gains, including refund of land usage tax and other government grants, gains on disposal of properties under development, income from forfeiture of deposits and advances received from customers, gains arising from negative

goodwill, gains on disposal of investment properties and property, plant and equipment and others, net of any loss on disposals of property, plant and equipment and investment properties.

Gains arising from changes in fair value of and transfer to investment properties

Pursuant to a business plan approved by our management in June 2014, we changed the use of certain properties from holding for sale or self-use to earning long-term rental. As a result, certain properties previously categorized as properties under development, completed properties held for sale, property, plant and equipment and land use rights were transferred to investment properties in 2014. These properties were remeasured at their respective fair values upon transfer. In 2016, 2017 and 2018, for properties transferred from properties under development and completed properties held for sale to investment properties, the differences between the fair values and carrying amounts upon transfer were recognized in profit or loss as gains arising from changes in fair value of and transfer to investment properties.

Selling and marketing costs

Selling and marketing costs include advertising and promotion expenses relating to sales of properties, selling and marketing staff costs, including selling commissions for our sales staff, and other selling expenses.

Administrative expenses

Administrative expenses include primarily staff costs, materials consumption cost, depreciation, property tax and donations.

Finance costs

Finance costs consist primarily of interest costs as a result of bank borrowings and the issue of senior notes. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness, the interest rates on our borrowings and the capitalization of borrowing costs.

Income tax expenses

Enterprise Income Tax. Income tax expense represents PRC enterprise income tax accrued by our operating subsidiaries and provision for LAT. We are an exempted company in the Cayman Islands, and are not subject to Cayman Islands income tax. Our BVI companies holding our PRC subsidiaries are also not subject to BVI income tax. Our PRC subsidiaries are subject to enterprise income tax at a rate of 25% pursuant to the EIT Law.

Pursuant to the EIT Law, dividends distributed by our PRC subsidiaries to us or our non-PRC subsidiaries are subject to a withholding tax of 5% for enterprises incorporated in Hong Kong, subject to approval by the relevant authorities and 10% for enterprises incorporated outside of Hong Kong if we or our non-PRC subsidiaries, as the case may be, are deemed as a "non-resident enterprise."

LAT. The LAT expense recorded in our consolidated income statement for any given period represents the provision and payment for LAT with respect to the recognized revenue in that period.

Under PRC laws and regulations, our PRC subsidiaries engaging in property development are subject to LAT, which is collected by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws, with certain exemptions available for the sale of ordinary standard residential houses if the appreciation value does not exceed 20% of the total deductible items as defined in the relevant tax laws. See “Regulation—Legal supervision relating to property sector in the PRC—H. Major taxes applicable to property developers—(c) Land appreciation tax.” Sales of commercial properties are not eligible for this exemption. Whether a property qualifies for the ordinary standard residential houses exemption is determined by the local government taking into consideration the property’s plot ratio, aggregate GFA and sales price. Sales of properties with higher appreciation values are generally subject to higher LAT rates. On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (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) which came into effect on February 1, 2007. Such notice provides further clarifications as to the settlement of LAT. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation. On May 19, 2010, the SAT issued the Circular on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of LAT. Furthermore, on May 25, 2010, the SAT 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, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but only pay a portion of such provisions each year as required by the local tax authorities under prevailing practice.

Our LAT expense for the years ended December 31, 2016, 2017 and 2018 was RMB3,115.0 million, RMB7,944.9 million and RMB13,763 million (US\$2,002 million), respectively.

Our effective income tax rate is affected by PRC enterprise income tax expense and LAT as described above. Our effective income tax rate is also affected by expenses incurred outside the PRC, such as the interest and other expenses incurred on the Convertible Bonds and senior notes, which are not deductible for purposes of PRC income tax. Our effective income tax rate was 36.1% in the year ended December 31, 2016, 38.2% in the year ended December 31, 2017 and 39.0% in the year ended December 31, 2018.

Non-controlling interests

Non-controlling interests represent our profits or losses after taxation that are attributable to minority shareholders of our non-wholly owned subsidiaries.

Key factors affecting our performance

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond our control, including those set out below.

Economic growth, speed of urbanization and demand for residential properties in China

Economic growth, urbanization and rising standards of living in China have been the main driving forces behind the increasing market demand for residential properties. The growth in demand for residential properties in the PRC, including Guangdong Province, in the last decade has often been coupled with volatility in market conditions and fluctuations in property prices. Developments in the economy and the rate of urbanization have in the past increased the demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations. China's rate of economic growth has slowed in recent years, and a portion of continuing economic growth has been driven by increased borrowing by local governments and corporations. In the year ended December 31, 2017, China's GDP grew by 6.9%. In May 2017, Moody's downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from negative to stable. See "Risk factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business." Further slowing in China's economic growth (including as a result of measures designed to control liquidity in the economy) could also affect our results of operations. See "Risk factors—Risks relating to our business—We are heavily dependent on the performance of the property market in the PRC, particularly in Guangdong Province, and may be affected by the performance of the property market in other places where we conduct our operations."

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which adversely affected property demand and average selling prices in many areas of China. In 2010, a financial crisis emerged in Europe, creating concerns about the ability of certain European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years and on December 1, 2014, Moody's downgraded the debt rating of Japan to "A1" from "Aa3." These events, including the uncertainties surrounding Brexit, coupled with ongoing political unrest in the Middle East, Eastern Europe and Africa have resulted in an environment of macroeconomic uncertainty. More recently, the risk of a trade war between China and the United States has emerged, contributing to additional macroeconomic uncertainty and adding further downward pressure and negative sentiment to the global economy, including that of China and the United States. It is difficult to determine the impact that any global economic slowdown, financial crisis or trade war may have on the property industry in China. If any global economic slowdown, financial market crisis or trade war eventuates, continues or worsens, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Regulatory measures in the property industry in China

PRC government policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate

property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years. Since 2011, various cities have promulgated measures to further control the property markets. PRC banks also tightened mortgage lending in general, which had affected the demand in the property markets. Since September 2016, certain local governments including without limitation Beijing, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Fuzhou, Foshan, Dongguan, Huizhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan, Hainan province and Hangzhou, have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. PRC regulatory measures in the real estate industry will continue to affect our business and results of operations. See "Regulation—Legal supervision relating to property sector in the PRC," "Risk factors—Risk relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry's growth" and "Regulation" for more details.

We are also highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to property developers. Moreover, a substantial portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or that increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our sales revenue. In addition, we are susceptible to any foreign exchange and capital control policies adopted by the PRC government that restricts its citizens from converting its local currency into other currencies for overseas property purchases in order to curb capital outflows, particularly since a substantial portion of the purchasers of some of our overseas projects are, and are expected to continue to be, PRC persons subject to the PRC government's foreign exchange control and capital outflow policies. See "Risk Factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business."

Ability to acquire suitable land for future property development

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. Based on our current development plans, we believe we have sufficient land reserves for property developments for the next three to five years. Assuming that

the PRC economy continues to grow at a relatively high speed and demand for residential properties remains strong, we expect that competition among developers for land reserves that are suitable for property development will intensify. In addition, the public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is also likely to increase competition for land development and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulation." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations. In addition, as we expand to overseas markets, our ability to obtain suitable land in those markets will also become increasingly important to our operations and liquidity.

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sales proceeds to develop the projects pre-sold. The amount and timing of cash inflows from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the PRC government, market demand for our properties subject to pre-sales and the number of properties we have available for pre-sale. Reduced cash flow from pre-sales of our properties will increase our reliance on external financing and will affect our ability to finance our continuing property developments.

Access to and cost of financing

Bank borrowing is another important source of funding for our property developments. As of December 31, 2016, 2017 and 2018, our outstanding bank and other borrowings amounted to RMB69,222.8 million, RMB135,516.8 million and RMB231,683 million (US\$33,697 million), respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs related to our developments. Our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property development.

We have also sought financing in the international capital markets through the offerings of the 2014 Notes, the 2017 Notes, the 2015 Notes, the 2018 Notes, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the November 2018 Notes, the January 2023 Notes, the January 2025 Notes, the 2019 Convertible Bonds, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes and other pari passu secured indebtedness which generally give us a longer maturity term but bear higher interest rates than bank borrowings. Access to and cost of financing in the international capital markets is subject to a number of factors, including the

global economic conditions and liquidity in the credit markets. In addition, we have also sought financing through the issuance of a series of domestic corporate bonds, Islamic medium term notes and receipts under securitization arrangements. See “Description of other material indebtedness.”

Timing of property development

The number of property developments that a developer can undertake during any particular period is limited due to the substantial amount of capital required for land acquisitions and construction costs as well as limited land supply. Property developments may take many months, or possibly years, before any pre-sale occurs. We aim to time the launch of pre-sales of our properties to coincide with strong periods of expected demand. As market demand is not stable, sales revenue in a particular period therefore depends on our ability to gauge the expected demand in the market at the launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Price volatility of construction materials

Our results of operations are affected by price volatility of construction materials such as steel and cement. The cost of construction materials constitutes the most important item in our construction costs. With a view to achieving economies of scale and lowering our purchase costs, we seek to use centralized procurement for projects undertaken by our own construction companies. However, any increase in the cost of construction materials will increase our construction costs. If we cannot pass the increased costs on to our customers, our profitability will suffer.

Changes in product mix

The prices and gross profit margins of our products vary by the types of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our higher gross margin products compared to sales revenue attributable to lower gross margin products. Typically, our low-density units have commanded higher selling prices and gross profit margins than apartment units. Historically, a substantial portion of the projects we have developed have had low plot ratios, permitting us to increase our sales of low density units. Due to regulations in the PRC, we can no longer develop stand-alone villas on land acquired after May 2006. More recently, we have begun acquiring land with higher plot ratios, which will require us to increase the proportion of apartments that we develop and sell. We believe that we have a diversified product portfolio, and we are currently developing strategies to address changes in product mix that may result from such higher plot ratios, such as offering decorated apartment products. If we are unable to successfully develop and execute such strategies, our profit margins may decline as the proportion of our sales comprising apartments increase.

LAT

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors of property in China, irrespective of whether they are corporate entities or individual investors. Our LAT expense recognized on our statements of comprehensive income for each of the three

years ended December 31, 2016, 2017 and 2018, was RMB3,115.0 million, RMB7,944.9 million and RMB13,763 million (US\$2,002 million), respectively. We prepay LAT with reference to our pre-sales proceeds and the tax rates set out by local tax authorities. See “Risk factors—Risks relating to our business—The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations,” “—Certain profit or loss items—Cost of sales” and “—Certain profit or loss items—Income tax expenses.”

Generally, LAT on apartments is lower than LAT on low-density units, as apartments generally have lower selling prices.

Labor costs

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

Interim fluctuation of results of operations

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period is limited due to the substantial amount of capital required for land acquisition, demolition, resettlement and construction, limited land supplies and lengthy development periods before positive cash flows may be generated. In addition, in recent years, we began to develop larger-scale property developments and, as a result, we develop properties in multiple phases over the course of several years. Typically, the selling prices of properties in such larger-scale property developments tend to increase as the overall development comes closer to completion, thus offering a more established residential community to the purchasers. Seasonal variations, as we disclosed in “Risk factors—Risks relating to our business—We face risks relating to fluctuations of results of operations from period to period,” have also caused fluctuations in our interim revenue and profits, including quarterly and semi-annual results. As a result, our results of operations fluctuate and our interim results do not proportionally reflect our annual results.

Critical accounting policies

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

Our consolidated financial statements have been prepared in accordance with HKFRS. HKFRS requires that we adopt accounting policies and make estimates that, our directors believe, are the most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial condition. In preparing our consolidated financial statements, we made certain estimates and assumptions about future events based on our experience. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities. For more details about our critical accounting estimates and judgments, see note 5 to our audited financial information as of and for the year ended December 31, 2016, note 5 to our audited financial information as of and

for the year ended December 31, 2017 and note 5 to our audited financial information as of and for the year ended December 31, 2018, included elsewhere in this offering memorandum.

Revenue recognition. In January 2017, we early adopted HKFRS 15, which was issued in July 2014. Our adoption of this accounting policy resulted in adjustments to the amounts recognized in our financial statements. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated. As a result, we elected to apply the modified transitional provisions whereby the effects of adopting HKFRS 15 for uncompleted contracts with customers as at December 31, 2016 are adjusted at the opening balances of equity as at January 1, 2017. See note 3 to our audited financial information as of and for the year ended December 31, 2017 included elsewhere in this offering memorandum.

Revenue comprises primarily the proceeds from property development, construction, property investment, property management and hotel operation after the elimination of intra-group transactions. Revenue arising from construction services is recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction and assessed on the basis of the contract costs incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Revenues arising from hotel operation and property management are recognized in the accounting period in which the services are rendered. In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses. Under HKFRS 15, properties that have no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognizes revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

Land use rights cost. Land use rights cost typically comprises payments to government authorities for obtaining the right to occupy, use and develop land, certain fees for altering the intended use of land and resettlement costs. Land use rights which are held for development and subsequent sale are classified as inventories and included in "Properties under development" or "Completed properties held for sales" under "Current assets" or "Non-current assets" in accordance with HKAS 2 and measured at the lower of cost and net realizable value.

Properties under development and completed properties held for sale. Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within a normal operating cycle are classified as current assets. Properties under development are stated at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimate based on prevailing marketing conditions.

Development cost of a property comprises land use rights, construction costs, capitalized costs and professional fees incurred during the development period of a normal operating cycle. Upon completion, the properties are transferred to completed properties held for sale.

Completed properties remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Net realizable value for our completed properties held for sale is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimate based on prevailing marketing conditions.

Income taxes and deferred taxation. Significant judgment is required in determining the provision for income tax. Such determinations are often uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will affect the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

Change in accounting policy on the classification, measurement and derecognition of financial assets and liabilities. In January 2016, we early adopted HKFRS 9, which was issued in July 2014 and introduced new rules for hedge accounting and a new impairment model for financial assets. Our adoption of this accounting policy resulted in adjustments to the amounts recognized in our financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. As a result, any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings. Provisions for impairment have not been restated in the comparative period as well. See note 3 to the audited consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018, included elsewhere in this offering memorandum.

Estimates for impairment of hotel non-financial assets. Management performs review for impairment of hotel non-financial assets whenever events or changes in circumstances indicate that the carrying amounts of the hotel non-financial assets may not be recoverable. In such cases, the recoverable amounts of hotel non-financial assets have been determined based on the value-in-use method. Value-in-use calculations require the use of significant estimates and assumptions on the projections of cash flows from the continuous use of the hotel non-financial assets.

We assessed the fair value of our investment properties based on valuations determined by an independent and professional qualified valuer. Significant judgement and assumptions are required in assessing the fair value of the investment properties. See note 8 to the audited consolidated financial information as of and for the year ended December 31, 2016, 2017 and 2018, included elsewhere in this offering memorandum.

Results of operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statement and statement of comprehensive income.

(in millions, except percentages)	For the year ended December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
Revenue	153,087.0	226,899.8	379,079	55,135
Cost of sales	(120,850.9)	(168,114.4)	(276,603)	(40,230)
Gross profit	32,236.1	58,785.4	102,476	14,905
Other income and gains—net	1,530.5	2,611.5	4,344	632
Gains arising from changes in fair value of and transfer to investment properties	711.6	504.7	1,732	252
Selling and marketing costs	(7,383.6)	(10,002.4)	(12,533)	(1,823)
Administrative expenses	(4,882.9)	(7,269.0)	(16,601)	(2,415)
Net impairment losses on financial and contract assets	(88.4)	(339.0)	(1,176)	(171)
Research and development expenses	-	(693.0)	(1,224)	(178)
Operating profit	22,124.2	43,598.2	77,018	11,202
Finance income	532.9	3,422.7	2,445	356
Finance costs	(1,628.2)	(146.6)	(1,097)	(160)
Finance (cost)/income—net	(1,095.3)	3,276.1	1,348	196
Share of results of joint ventures and associates	361.7	(352.3)	1,197	174
Profit before income tax	21,390.6	46,522.0	79,563	11,572
Income tax expenses	(7,727.3)	(17,770.2)	(31,021)	(4,512)
Profit for the year	13,663.2	28,751.8	48,542	7,060
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
—Change in fair value of financial assets at fair value through other comprehensive income, net of tax	45.9	(56.4)	107	16
Items that may be reclassified to profit or loss:				
—Deferred gains on cash flow hedges, net of tax	90.0	(103.8)	35	5
—Deferred costs of hedging, net of tax	(295.9)	750.6	(1,099)	(160)
—Currency translation differences	299.5	155.6	(67)	(10)
Other comprehensive income/(loss) for the year net of tax	139.5	745.9	(1,024)	(149)
Total comprehensive income for the year net of tax	13,802.7	29,497.7	47,518	6,911
Profit attributable to:				
—Owners of the Company	11,516.8	26,063.5	34,618	5,035
—Non-controlling interests	2,146.4	2,688.3	13,924	2,025
	13,663.2	28,751.8	48,542	7,060
Total comprehensive income attributable to:				
Owners of the Company	11,585.2	26,775.1	33,619	4,890
Non-controlling interests	2,217.5	2,722.6	13,899	2,022
	13,802.7	29,497.7	47,518	6,911
Dividends	3,733.4	8,629.5	10,580	1,539
Other Financial Data (unaudited)				
EBITDA ⁽¹⁾	21,949.2	47,845.4	79,530	11,567
EBITDA Margin ⁽²⁾	14.3%	21.1%	21.0	21.0%

Notes:

(1) EBITDA for any period consists of operating profit plus interest income, depreciation expenses of property, plant and equipment and investment property and amortization of land use rights and intangible assets, net of exchange gains or losses. 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 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 sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See “Management’s discussion and analysis of financial condition and results of operations—Non-GAAP financial measures” for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes—Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

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

2018 COMPARED TO 2017

Revenue. Our revenue increased by 67.1% to RMB379,079 million (US\$55,135 million) in 2018, from RMB226,899.8 million in 2017, primarily as a result of the following:

- **Property development.** Revenue generated from property development increased by 67.8% to RMB369,405 million (US\$53,728 million) in 2018, from RMB220,157.4 million in 2017, primarily as a result of an increase in sales and timely delivery of properties, as well as an increase in the recognized average selling price to RMB8,550 (US\$1,244) per sq.m. for 2018 from RMB7,863 per sq.m. for 2017.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the two years ended December 31, 2017 and 2018, respectively.

Property Development	For the year ended December 31			
	2018		2017	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	%	RMB'000	%
Country Garden-Forest City	15,596	4.2%	4,304	2.0%
Lunjiao Country Garden	5,459	1.5%	173	0.1%
Country Garden-Coral Palace	5,325	1.4%	6,153	2.8%
Country Garden-Phoenix City (Jurong)	5,309	1.4%	3,247	1.5%
Country Garden-Taidong Park	4,197	1.1%	2,522	1.1%
Lanzhou Country Garden	3,571	1.0%	4,716	2.1%
Country Garden-Phoenix City (Xian)	3,449	0.9%	–	0.0%
Chuzhou Country Garden	3,335	0.9%	1,265	0.6%
Xiaoshan Country Garden	3,261	0.9%	353	0.2%
Songhu Country Garden	3,026	0.8%	3,372	1.5%
Shijie Country Garden	2,790	0.8%	63	0.0%
Country Garden-Century City	2,755	0.7%	138	0.1%
Danzao Country Garden	2,753	0.7%	84	0.0%
Shatian Country Garden	2,742	0.7%	62	0.0%
Country Garden Taidong Tianyue Bay	2,727	0.7%	–	0.0%
Country Garden-Ningbo wetland	2,660	0.7%	–	0.0%
Country Garden-Chengzhou bay	2,658	0.7%	–	0.0%
Country Garden-Jade Mansion(Baohua)	2,628	0.7%	1,022	0.5%
Country Garden-Shuian Garden	2,552	0.7%	–	0.0%
Country Garden-Jade Mansion(Wuwei)	2,518	0.7%	–	0.0%
others	290,095	78.5%	192,684	87.5%
Total	369,405		220,157	

- **Construction.** Revenue generated from construction increased by 128.4% to RMB5,265 million (US\$766 million) in 2018, from RMB2,304.7 million in 2017, primarily as a result of an increase in the number of projects under construction as a result of our expansion plans and an increase in the volume of construction services rendered to our related parties and third parties.
- **Others.** Revenue generated from property investment, property management before the spin-off, hotel operation and others is approximately RMB4,409 million (US\$641 million) in 2018, as compared with RMB4,438 million in 2017, which remained stable.

Cost of sales. Cost of sales increased by 64.5% to RMB276,603 million (US\$40,230 million) in 2018, from RMB168,114.4 million in 2017, primarily as a result of an increase in the number of properties sold and volume of services provided, which was in line with the increase in revenue.

Gross profit. Gross profit increased by 74.3% to RMB102,476 million (US\$14,905 million) in 2018, from RMB58,785.4 million in 2017, which was consistent with the increase in the total number of properties sold and the increase in the average selling price.

Other income and gains—net. Other income and gains—net increased by 66.3% to RMB4,344 million (US\$632 million) in 2018, from RMB2,611.5 million in 2017.

Gains arising from changes in fair value of and transfer to investment properties. Gains arising from changes in fair value of and transfer to investment properties increased by 243.2% to RMB1,732 million (US\$252 million) in 2018, from RMB504.7 million in 2017.

Selling and marketing costs. Selling and marketing costs increased by 25.3% to RMB12,533 million (US\$1,823 million) in 2018, from RMB10,002.4 million in 2017. The increase was primarily attributable to the continuous growth in our contracted sales during the period, which in turn results in the increase in the costs of properties sold.

Administrative expenses. Administrative expenses increased by 128.4% to RMB16,601 million (US\$2,415 million) in 2018, from RMB7,269 million in 2017, primarily as a result of an increase of employee numbers.

Research and development expenses. Research and development expenses increased by 76.6% to RMB1,224 million (US\$178 million) in 2018, from RMB693 million in 2017, primarily as a result of expenditures made in relation to our research and development efforts to develop more efficient and environmentally friendly building techniques.

Finance income/(costs)—net. We recorded finance income—net RMB1,348 million (US\$196.1 million) in 2018, compared to finance income—net of RMB3,276.1 million in 2017, primarily as a result of recording post-hedging net foreign exchange losses of approximately RMB977 million (US\$142 million) in 2018, compared to none in 2017, and the increase in the interest expense before capitalized of approximately RMB19,129 million (US\$2,782.2 million) in 2018, compared to interest expense of approximately RMB11,040 million in 2017. Our interest expense for the each of the two years ended December 31, 2017 and 2018 were capitalized on qualifying assets.

Share of results of associates and joint ventures. We recorded a share of profits of associates and joint ventures of RMB1,197 million (US\$174 million) in 2018, compared to a share of losses of associates and joint ventures of RMB352.3 million in 2017.

Income tax expenses. Income tax expenses increased to RMB31,021 million (US\$4,512 million) in 2018, from RMB17,770.2 million in 2017, primarily as a result of the growth in our revenues.

Total comprehensive income for the period. As a result of the foregoing, total comprehensive income for the year increased by 61.1% to RMB47,518 million (US\$6,911 million) in 2018, from RMB29,497.7 million in 2017.

2017 COMPARED TO 2016

Revenue. Our revenue increased by 48.2% to RMB226,899.8 million in 2017, from RMB153,087.0 million in 2016, primarily attributable to the increase in sales of properties.

- Property development. Revenue generated from property development increased by 48.6% to approximately RMB220,157.4 million for 2017 from approximately RMB148,180.1 million in 2016. The recognized average selling price of property delivered was RMB7,863 per sq.m. for 2017, increasing from RMB6,191 per sq.m. for 2016.

The following table sets forth the revenue generated from certain projects and the percentage of the total revenue it represented in each of the year ended December 31, 2017 and 2016, respectively.

Property Development	For the year ended December 31,			
	2017		2016	
	Revenue RMB'000	Percentage of revenue %	Revenue RMB'000	Percentage of revenue %
Country Garden-Golden Bay	6,283,096	2.9%	–	0.0%
Country Garden-Ten Miles Beach	6,152,633	2.8%	4,897,067	3.3%
Country Garden-Coral Palace	6,152,807	2.8%	4,882,105	3.3%
Humen Country Garden	5,286,181	2.4%	–	0.0%
Lanzhou Country Garden	4,948,137	2.2%	2,154,570	1.5%
Country Garden-Forest City	4,303,568	2.0%	–	0.0%
Nanjing Country Garden	3,942,611	1.8%	280,282	0.2%
Country Garden-Phoenix City (Zengcheng) ..	3,796,820	1.7%	915,129	0.6%
Songhu Country Garden	3,440,895	1.6%	–	0.0%
Country Garden-Phoenix City (Jurong)	3,042,915	1.4%	3,208,576	2.2%
Country Garden-Bay One	2,413,849	1.1%	–	0.0%
Country Garden-Central Mansion	2,314,146	1.1%	2,205,607	1.5%
Shaoguan Country Garden	2,191,348	1.0%	1,725,326	1.2%
Country Garden-Taidong Park	2,153,425	1.0%	–	0.0%
Country Garden-Guilan Hill Park	2,067,788	0.9%	–	0.0%
Shijiazhuang Country Garden	2,041,098	0.9%	865,303	0.6%
Qingyuan Country Garden	1,935,459	0.9%	1,874,843	1.3%
Country Garden-Jade Hill	1,934,581	0.9%	–	0.0%
Country Garden-Central One	1,881,917	0.9%	–	0.0%
Country Garden-Galaxy City	1,817,986	0.8%	2,191,429	1.5%
Longjiang Country Garden	1,603,788	0.7%	–	0.0%
Others	150,452,320	68.3%	122,979,898	83.0%
Total	220,157,369	100.0%	148,180,135	100.0%

- Construction. Revenue generated from construction increased by 101.6% to RMB2,304.7 million for 2017 from RMB1,143.0 million in 2016, primarily due to an increase in the volume of services rendered to our related parties and third parties of the Group.

- Property investment. Revenue generated from property investment increased by 10.8% to RMB107.6 million in 2017 from RMB97.1 million in 2016.
- Property management. Revenue generated from property management increased by 35.6% to RMB2,656.3 million in 2017 from RMB1,959.1 million in 2016.
- Hotel operation. Revenue generated from hotel operation decreased by 2.0% to RMB1,673.8 million in 2017 from RMB1,707.6 million in 2016, primarily due to the disposal of interests in several hotels to certain third parties during the year.

Cost of sales. Cost of sales increased by 39.1% to RMB168,114.4 million in 2017 from RMB120,850.9 million in 2016. The increase in cost of sales was generally in line with the increase in revenue.

Gross profit. Gross profit increased by 82.4% to RMB58,785.4 million in 2017 from RMB32,236.1 million in 2016. The gross profit margin in 2017 increased to 25.9% from 21.1% in the corresponding period in 2016.

Other income and gains—net. Other income and gains—net increased by 70.6% to RMB2,611.5 million in 2017 from RMB1,530.5 million in 2016, primarily due to (i) an increase of other income from management and consulting service income to RMB848.8 million in 2017 from nil in 2016, (ii) an increase in gains arising from negative goodwill to RMB1,936.3 million from RMB1,257.7 million in 2016 and (iii) an increase of gains on forfeiture of advances received from customers to RMB42.4 million in 2017, partially offset by an increase in loss in fair value of derivative financial instruments to RMB400.8 million in 2017 from a gain of RMB149.8 million in 2016.

Gains arising from changes in fair value of and transfer to investment properties. Gains arising from changes in fair value of and transfer to investment properties decreased by 29.1% to RMB504.7 million in 2017 from RMB711.6 million in 2016. As of December 31, 2017, the fair value of our investment properties amounted to approximately RMB8,338.1 million, including approximately RMB7,042.1 million of completed properties and approximately RMB1,296.0 million of properties under development.

Selling and marketing costs. Selling and marketing costs increased by 35.5% to RMB10,002.4 million in 2017 from RMB7,383.6 million in 2016. The increase was primarily attributable to an increase in salaries and bonuses.

Administrative expenses. Administrative expenses increased by 53.3% to RMB7,617.2 million in 2017 from RMB4,970.4 million in 2016, primarily due to an increase in salaries and bonuses.

Finance income/(costs)—net. We recorded finance income—net of RMB3,276.1 million in 2017, compared to finance lost—net of RMB1,095.3 million in 2016, primarily due to post-hedging net foreign exchange gains of approximately RMB1,802.7 million in 2017, compared to post-hedging net foreign exchange losses of approximately RMB1,485.1 million. We also recorded interest income of approximately RMB1,620.0 million in 2017, compared to RMB532.9 million in 2016.

Share of results of associates and joint ventures. We recorded a share of loss of associates and joint ventures of RMB352.3 million in 2017, compared to a share of gain of associates and joint ventures of RMB361.7 million in 2016.

Income tax expenses. Income tax expenses increased to RMB17,770.2 million in 2017 from RMB7,727.3 million in 2016. Our effective income tax rate decreased to 38.2% in 2017 from 36.1% in 2016.

Total comprehensive income for the period. Total comprehensive income for the period increased by 113.7% to RMB29,497.7 million in 2017 from RMB13,802.7 million in 2016. Our net profit margin increased to 12.7% in 2017 from 8.9% in 2016, as a result of the cumulative effects of the foregoing factors.

Liquidity and capital resources

Cash flows

We operate in a capital intensive industry and have historically financed the development of our projects and other capital expenditures through a combination of internal funds, cash generated from our sales and pre-sale proceeds, borrowings from commercial banks in the PRC and Hong Kong, and proceeds from issuance of debt and equity securities, such as the issuance of the 2014 Notes in September 2009, the issuance of the 2017 Notes in April 2010, the issuance of the 2015 Notes in August 2010, the issuance of the 2018 Notes in February 2011, our share placement in February 2012 and in April 2015, the issuance of the 2023 Notes in January 2013, the issuance of the 2021 Notes in October 2013, the issuance of the 2019 Notes in May 2014, the issuance of the Private Notes in June 2014, the issuance of the 2020 Notes in March 2015, the issuance of the September 2023 Notes in September 2016, the issuance of the 2026 Notes in December 2016, the issuance of the 2022 Notes in July 2017, the issuance of the November 2018 Notes in November 2017 and the issuance of the January 2023 Notes and the January 2025 Notes in January 2018, the issuance of the 2019 Convertible Bonds in January 2018 and the issuance of the March 2021 Notes in March 2018. We also generate cash from proceeds from the issuance of domestic corporate bonds, Islamic medium term notes and proceeds received under securitization arrangements. Our short-term liquidity relates to servicing our debt and funding working capital requirements. Sources of short-term liquidity include cash balances and receipts from our operations. Our long-term liquidity requirement includes partial funding of our investments in new property projects and repayment of long-term debt, the 2023 Notes, the 2021 Notes, the 2019 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the 2019 Convertible Bonds, the March 2021 Notes and other long-term credit facilities. Sources of funding for our long-term liquidity requirements include new loans or debt issuance. We hold our cash and cash equivalents primarily in Renminbi, with the remaining in H.K. dollars, U.S. dollars and Malaysian Ringgit.

The following table presents selected cash flow data from our consolidated cash flow statement for each of the three years ended December 31, 2016, 2017 and 2018.

(in millions)	For the year ended December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
Net cash generated from operating activities	41,262.8	24,083.6	29,381	4,273
Net cash used in investing activities	(20,457.3)	(44,384.6)	(12,269)	(1,784)
Net cash generated from financing activities	27,454.2	72,821.7	73,832	10,738
Cash and cash equivalents at the end of the year	84,646.9	137,083.9	228,343	33,211

Cash flows from operating activities

2018. Our net cash generated from operating activities of RMB29,381 million (US\$4,273 million) in 2018, was attributable to cash generated from operating activities of RMB83,147 million (US\$12,093 million), income tax paid of RMB35,698 million (US\$5,192 million) and interest paid of RMB18,068 million (US\$2,628 million).

2017. Our net cash generated from operating activities of RMB24,083.6 million in 2017 was attributable to cash generated from operations of RMB54,001.2 million, partly offset by income tax paid of RMB19,115.2 million and interest paid of RMB10,802.3 million. Cash used in operations prior to changes in working capital was RMB43,203.7 million. Changes in working capital contributed to a net cash inflow of RMB10,797.4 million, comprising primarily of (i) Cash used in property under development and completed properties held for sale of RMB134,747.3 million, (ii) trade and other receivables of RMB155,705.0 million and (iii) contract assets of RMB8,981.4 million, partially offset by (a) contract liabilities of RMB176,865.2 million and (b) trade and other payables of RMB129,795.4 million.

2016. Our net cash generated from operating activities of RMB41,262.8 million in 2016 was attributable to cash generated from operations of RMB57,303.1 million, income tax paid of RMB9,919.4 million and interest paid of RMB6,121.0 million. Cash used in operations prior to changes in working capital was RMB20,897.8 million. Changes in working capital contributed to a net cash inflow of RMB36,405.3 million, comprising primarily of (i) Cash used in property under development and completed properties held for sale of RMB43,515.7 million (arising mainly from capitalized interest expenses attributable to properties under development and construction costs and land use rights), (ii) trade and other receivables of RMB71,902.3 million from current accounts due from the other shareholders of certain joint ventures and associates of the Group for various payments on their behalf and (iii) prepaid taxes of RMB521.7 million, partially offset by trade and other payables of RMB64,483.0 million arising mainly from current accounts due to certain joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates.

Cash flows from investing activities

2018. Our net cash used in investing activities of RMB12,269 million (US\$1,784 million) in 2018, was primarily attributable to (i) deposits for acquisitions of companies of RMB10,366 million (US\$1,508 million), (ii) payments for financial assets at fair value through profit or loss of RMB12,156 million (US\$1,768 million) and (iii) investment in joint ventures of RMB6,641 million (US\$966 million) and investment in associates of RMB6,550 million (US\$953 million), partially offset by proceeds from disposals of financial assets at fair value through profit or loss of RMB24,918 million (US\$3,624 million).

2017. Our net cash used in investing activities of RMB44,384.6 million in 2017 was primarily attributable to (i) investments in joint ventures of RMB9,853.3 million, investments in associates of RMB6,829.1 million and (iii) deposits for acquisitions of companies of RMB4,646.9 million partially offset by (i) interest received of RMB1,620.0 million and (ii) proceeds from disposals of financial assets at fair value through profit or loss of RMB816.0 million.

2016. Our net cash used in investing activities of RMB20,457.3 million in 2016 was primarily attributable to (i) payments for acquisition of subsidiaries, net of cash acquired of RMB3,122.5 million, (ii) investments in joint ventures of RMB5,295.4 million, and (iii) purchases of property, plant and equipment of RMB1,907.0 million primarily relating to payments for construction of new hotels, partially offset by (i) proceeds from repayment of loans to related parties of RMB776.0 million, (ii) interest received of RMB532.9 million, and (iii) proceeds from disposal of property, plant and equipment of RMB232.4 million.

Cash flows from financing activities

2018. Our net cash generated from financing activities of RMB73,832 million (US\$10,738 million) in 2018, was primarily attributable to (i) proceeds from bank and other borrowings of RMB108,918 million (US\$15,841 million), (ii) issuance of convertible bonds of RMB19,322 million (US\$2,810 million), (iii) issuance of senior notes of RMB16,324 million (US\$2,374 million) and (iv) issuance of shares as a result of placing of RMB6,330 million (US\$921 million), and partially offset primarily by repayments of bank and other borrowings of RMB43,025 million (US\$6,258 million), redemption and repayment of senior notes of RMB8,406 million (US\$1,223 million), repayment of corporate bonds of RMB14,534 million (US\$2,114 million) and redemption of convertible bonds of RMB5,686 million (US\$827 million).

2017. Our net cash generated from financing activities of RMB72,821.7 million in 2017 was primarily attributable to (i) proceeds from bank and other borrowings of RMB87,105.8 million, (ii) issuance of corporate bond of RMB10,663.8 million, and (iii) issuance of senior notes of RMB7,747.0 million, partially offset primarily by repayments of bank and other borrowings of RMB20,006.5 million and redemption of senior notes of RMB3,808.4 million.

2016. Our net cash generated from financing activities of RMB27,454.2 million in 2016 was primarily attributable to (i) proceeds from bank and other borrowings of RMB36,535.5 million, (ii) net proceeds from the issuance of corporate bonds of RMB21,901.1 million, (iii) proceeds received from securitization arrangements of RMB7,043.4 million, and (iv) capital injections from non- controlling interests of RMB3,385.3 million, partially offset primarily by repayments of bank and other borrowings of RMB20,507.4 million and redemption of perpetual capital securities of RMB19,528.0 million.

Capital resources

Property developments require substantial capital investment for land acquisition and construction and may take many months or years before positive cash flows can be generated. To date we have funded our growth principally from internal funds, borrowings from banks, proceeds from sales and pre-sales of our developed properties and proceeds from issuance of both debt and equity securities, such as the issuance of our various senior notes. We have also entered into trust financing arrangements and a perpetual loan for our funding requirements. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Since June 2003 commercial banks in the PRC have been prohibited under PBOC guidelines from advancing loans to fund payment of land premium. As a result, property developers may not use PRC bank loans to pay for land premium.

In an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on March 8, 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land transfer is to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down payment within one month of signing a land grant contract and pay the balance within one year of the

contract date, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines issued by the China Banking Regulatory Commission in August 2004, commercial banks in China are not permitted to lend funds to property developers with an internal capital ratio, calculated by dividing the internal funds available by the total capital required for the project, of less than 35%, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to combat the impact of the global economic downturn at the time, the PRC government lowered this ratio to 20% for protected housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, the PRC government has recently announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level. See “Risk factors—Risks relating to the property sector in the PRC—The property industry in the PRC is subject to government regulations and policies, which could have the effect of slowing down the industry’s growth.”

We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments in the PRC. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of fund for the construction of our projects.

We intend to continue to fund our future development and debt servicing from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. In addition, we may consider raising additional funds through perpetual loans and securities in the PRC. Such perpetual loans and securities in the PRC may be guaranteed by us or our other subsidiaries or secured by shares of such subsidiaries.

Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable or other liabilities when they become due and payable. See “Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.”

Borrowings

Bank and other borrowings

The following table sets forth our bank and other borrowings as of December 31, 2016, 2017 and 2018:

(in millions)	As of December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
Borrowings included in non-current liabilities:				
Bank and other borrowings				
—secured	21,456.7	48,337.9	108,300	15,752
—unsecured	30,120.7	70,495.9	89,779	13,058
Less: current portion of non-current liabilities	(12,867.3)	(30,988.8)	(58,240)	(8,471)
Non-current borrowings	38,710.1	87,845.0	139,839	20,339
Borrowings included in current liabilities:				
Bank and other borrowings				
—secured	7,433.9	4,138.2	10,775	1,567
—unsecured	10,211.6	12,544.8	22,829	3,320
Current portion of non-current liabilities	12,867.3	30,988.8	58,240	8,471
Current borrowings	30,512.7	47,671.8	91,844	13,358
Total	69,222.8	135,516.8	231,683	33,697

Our bank and other borrowings as of December 31, 2016, 2017 and 2018 bore a weighted average effective interest of 6.01%, 5.67% and 6.52%, respectively.

Most of our bank and other borrowings were secured by land use rights, properties and equipment that we owned and guarantees by our subsidiaries. The maturity of our bank and other borrowings included in non-current liabilities as of December 31, 2016, 2017 and 2018 is as follows:

(in millions)	As of December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
Within 1 year	30,512.7	47,671.8	91,844	13,358
Between 1 and 2 years	18,085.4	36,994.1	72,900	10,603
Between 2 and 5 years	18,110.0	50,099.3	60,163	8,750
Beyond 5 years	2,514.6	751.7	6,776	986
	69,222.8	135,516.8	231,683	33,697

As of December 31, 2018, approximately RMB91,844 million (US\$13,358 million), RMB133,063 million (US\$19,354 million) and RMB6,776 million (US\$986 million) of our bank and other borrowings will be repayable within one year, between one year and five years and beyond five years, respectively.

Subsequent to December 31, 2018, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. A substantial portion of these loans were PRC bank loans and were secured by land use rights and other assets and properties as well as guaranteed by certain of our PRC subsidiaries. We have also entered into certain offshore facilities to finance our operations. See “Description of other material indebtedness—Offshore facility agreements.”

Convertible Bonds and senior notes

In September 2009, we issued 11.75% senior notes due 2014 with an aggregate principal amount of US\$375,000,000, which were redeemed upon maturity in September 2014. In April 2010, we issued 11.25% senior notes due 2017 with an aggregate principal amount of US\$550,000,000, which were redeemed in June 2014. In August 2010, we issued 10.50% senior notes due 2015 with an aggregate principal amount of US\$400,000,000, which were redeemed in August 2015. In February 2011, we issued 11.125% senior notes due 2018 with an aggregate principal amount of US\$900,000,000, which were redeemed in March 2015. In January 2013, we issued 7.50% senior notes due 2023 with an aggregate principal amount of US\$750,000,000, which were redeemed in February 2018. In October 2013, we issued 7.25% senior notes due 2021 with an aggregate principal amount of US\$750,000,000, which remained outstanding as of December 31, 2018. In May 2014, we issued 7.875% senior notes due 2019 with an aggregate principal amount of US\$550,000,000, which were redeemed in August 2017. In June 2014, we issued 7.50% senior notes due 2019 with an aggregate principal amount of US\$250,000,000, which remained outstanding as of December 31, 2018. In March 2015, we issued 7.50% senior notes due 2020 with an aggregate principal amount of US\$900,000,000, which remained outstanding as of December 31, 2018. On September 28, 2016, we issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$650,000,000, which remained outstanding as of December 31, 2018. In December 2016, we issued 5.625% senior notes due 2026 with an aggregate principal amount of US\$350,000,000, which remained outstanding as of December 31, 2018. On July 25 and August 16, 2017, we issued 4.75% senior notes due 2022 with an aggregate principal amount of US\$600 million and US\$100 million, which remained outstanding as of December 31, 2018. On November 22, 2017, we also issued 3.875% senior notes due 2018 with an aggregate principal amount of US\$500,000,000, which were repaid upon maturity in November 2018. On January 17, 2018 and July 31, 2018, we issued 4.75% senior notes due 2023 with an aggregate principal amount of US\$625 million. On January 17, 2018 and September 4, 2018, we also issued 5.125% senior notes due 2025 with an aggregate principal amount of US\$750 million. On January 30, 2018, we also issued zero coupon HK dollar settled convertible bonds due 2019 with an aggregate principal amount of HK\$15,600 million, which remained outstanding as of December 31, 2018. On March 12, 2018, we issued 5.8% Senior Notes due 2021 with an aggregate principal amount of RMB950 million. On September 27, 2018, we issued 7.125% senior notes due 2022 with an aggregate principal amount of US\$ 425 million, which remained outstanding as of December 31, 2018. On September 27, 2018, we also issued 8.00% senior notes due 2024 with an aggregate principal amount of US\$550 million, which remained outstanding as of December 31, 2018. On December 5, 2018, we issued 4.50% coupon HK dollar settled convertible bonds due 2023 with an aggregate principal amount of HK\$ 7,830 million, which remained outstanding as of December 31, 2018.

The 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds and the April 2022 Notes are currently guaranteed by certain of our subsidiaries as subsidiary guarantors, and are secured, on a *pari passu* basis, by pledges over the shares of certain of such subsidiary guarantors. Such collateral is expected to be shared on a *pari passu* basis among the holders of the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds and the April 2022 Notes and the Notes upon the issuance of the Notes. See “Description of other material indebtedness—2021

Notes," "Description of other material indebtedness—Private Notes," "Description of other material indebtedness—2020 Notes," "Description of other material indebtedness—September 2023 Notes," "Description of other material indebtedness—2026 Notes," "Description of other material indebtedness—2022 Notes," "Description of other material indebtedness—January 2023 Notes," "Description of other material indebtedness—January 2025 Notes", "Description of other material indebtedness—March 2021 Notes," "Description of other material indebtedness—January 2022 Notes," "Description of other material indebtedness—January 2024 Notes," "Description of other material indebtedness—2023 Convertible Bonds" and "Description of other material indebtedness—April 2022 Notes."

Corporate bonds

We also generate cash from proceeds from the issuance of domestic corporate bonds and Islamic medium term notes. See "Description of other material indebtedness."

Receipts under securitization arrangements

We also generate cash from receipts under securitization arrangements. See "Description of other material indebtedness." We may issue additional asset-back securities in varying structures in the future. We are exploring the feasibility of structuring asset-backed securities that are not considered financial liabilities on our statement of financial position, by assigning our rights to receive payments from property purchasers of our projects. Depending on investor feedback, we may be required to provide liquidity support or guarantee payment shortfalls for the asset-backed securities.

Restricted cash

Pursuant to relevant regulations, certain of our project companies are required to deposit a portion of proceeds from the pre-sales of properties into specific bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts may only be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. As of December 31, 2016, 2017 and 2018, our restricted cash amounted to RMB11,844.0 million (comprising guarantee deposits for construction of pre-sold properties), RMB11,318.2 million (comprising guarantee deposits for construction of pre-sold properties) and RMB14,200 million (US\$2,065 million) (comprising guarantee deposits for construction of pre-sold properties) respectively.

Contingent liabilities

As of December 31, 2018, we provided guarantees of approximately RMB319,239 million (US\$46,431 million) to PRC banks in respect of the mortgaged loans provided by the banks to purchasers of our developed properties. The majority of the guarantees are discharged upon the earlier of the issuance of the individual property ownership certificate to the owner of the property or the certificate of other rights of property to the mortgage bank which will generally be available within three months after we deliver the relevant property to the purchasers, or upon the full settlement of the mortgaged loans by the purchaser. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, we are responsible for repaying the outstanding mortgage principal together with accrued interest and penalty owed

by the defaulted purchasers to the banks and we are entitled to take legal title to and possession of the relevant properties. Of the amounts guaranteed as of December 31, 2018, none was with respect to a guarantee which was to be discharged two years or more from the day the mortgage loans become due; and approximately RMB319,239 million (US\$46,431 million) was to be discharged upon the earlier of (i) issuance of the real estate ownership certificates (which are generally available within three months of the purchasers taking possession of the relevant properties) and (ii) the satisfaction of mortgaged loans by the purchasers of the properties.

In addition, we provided guarantees for certain borrowings of associates, joint ventures and third parties. As of December 31, 2018, our guarantees provided for associates, joint ventures and third parties for their borrowings amounted to RMB58,090 million (US\$8,449 million).

In October 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

Capital commitments

We incurred capital commitments from contracted construction fees and land premium for future property developments. We expect to fund such capital commitments principally from the pre-sale proceeds of our properties and partly from bank borrowings.

For additional information about our capital commitments, see note 40 to our audited consolidated financial information as of and for the year ended December 31, 2016, note 39 to our audited consolidated financial information as of and for the year ended December 31, 2017 included elsewhere in this offering memorandum.

Market risk

Interest rate risk

We are subject to market risks due to fluctuations in interest rates. Our net profit is affected by changes in interest rates due to the impact such changes may have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities, including bank and other borrowings. In addition, an increase in interest rates would adversely affect our prospective purchaser's willingness and ability to purchase our properties, our ability to service loans that we have guaranteed and our ability to raise and service long-term debt and to finance our developments, any of which could adversely affect our business, financial condition and results of operations.

Currently, our borrowings primarily consist of loans from commercial banks, receipts under securitization arrangements, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan and the corporate bonds. As of December 31, 2016, 2017 and 2018, our total borrowings amounted to RMB143,240.3 million, RMB216,570.1 million and RMB329,269 million (US\$47,890 million), respectively. We currently have some derivative instruments to hedge our interest rate

risk. We designate some of our derivative instruments as hedges of foreign exchange and interest rate risks associated with the cash flows of our foreign currency borrowings.

Borrowings issued at variable rates expose us to cash flow interest rate risk while borrowings issued at fixed rates expose us to fair value interest rate risk. In addition, any increase of benchmark lending rates published by PBOC may result in an increase in our interest costs, as most of our bank borrowings bear floating interest rates linked to PBOC-published rates. The PBOC-published benchmark one-year lending rate, which directly affect the property mortgage rates offered by commercial banks in China, as of December 31, 2016, 2017 and 2018 was 4.35%, 4.35% and 4.35%, respectively. We cannot assure you that PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments.

Foreign exchange risk

We conduct most of our sales and purchases in Renminbi except for a small portion of our sales proceeds that are in other currencies. Our exposure to foreign exchange risk is principally due to our outstanding foreign currency borrowings that are mainly denominated in U.S. dollars, H.K. dollars, Malaysian ringgit, and Australia dollars. As of December 31, 2018, we had U.S. dollar-denominated bank and other borrowings totaling approximately US\$3,362.0 million, H.K. dollar denominated bank and other borrowings totaling approximately HK\$11,527.0 million, and a relatively small amount of Malaysian-ringgit and other non-RMB denominated bank and other borrowings equivalent to approximately RMB8,309 million. As of the same date, other than Renminbi, we had aggregate cash and bank balances denominated in H.K. dollars equivalent to approximately RMB902 million, in U.S. dollars equivalent to approximately RMB3,575 million, in Malaysian ringgit equivalent to approximately RMB4,518 million and in Australian dollars and other currencies equivalent to approximately RMB1,504 million. Since 2015, we have adopted foreign currency hedging instruments to better manage our foreign exchange risks, using a combination of foreign exchange forward contracts, foreign currency option contracts and foreign currency swap contracts. In June 2016, we entered into the GS ISDA Agreement with Goldman Sachs International, our obligations under which are guaranteed by the Subsidiary Guarantors under the GS Guarantee and secured by the Collateral. In May 2017, we entered into the DB ISDA Agreement with Deutsche Bank AG, our obligations under which are guaranteed by the Subsidiary Guarantors under the DB Guarantee and secured by the Collateral. Going forward, we may enter into further swap arrangements that require us to provide guarantees and security.

We recognize foreign exchange gain or loss on our consolidated income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period.

Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in H.K. dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See “Risk factors—Risks relating to the Notes—We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars.”

Inflation

Historically, we have not been materially affected by any inflation or deflation.

Non-GAAP financial measures

We use EBITDA and EBITDA margin to provide additional information about our operating performance. EBITDA refers to our operating profit plus finance income, depreciation of property, plant and equipment and investment property, amortization of land use rights and intangible assets, net of exchange gains or losses. EBITDA margin is calculated by dividing EBITDA by revenue.

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

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

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

(in millions)	For the year ended December 31,			
	2016 (RMB)	2017 (RMB)	2018 (RMB)	2018 (US\$) (Unaudited)
Operating profit	22,124.1	43,598.2	77,018	11,202
Adjustments:				
Interest income	532.9	1,620.0	2,445	356
Depreciation of property, plant and equipment and investment property	697.5	724.8	909	132
Amortization of land use rights ⁽¹⁾	60.7	74.1	63	9
Amortization of intangible assets	19.1	25.6	72	10
Net foreign exchange gains/(loss)	(1,485.1)	1,802.7	(977)	(142)
EBITDA	21,949.2	47,845.4	79,530	11,567

Note:

(1) Represents amortization of land use rights for properties other than those held for development and subsequent sale, such as hotel properties. For further information, see "—Critical accounting policies—land use rights cost."

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

Industry overview

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. We have endeavored to obtain the most recent sources available. This information has not been independently verified by us, the Initial Purchaser, the Trustee, the Agents or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

The economy of the PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB41,303.0 billion in 2010 to approximately RMB82,712.2 billion in 2017 at a compound annual growth rate, or CAGR, of approximately 10.4%.

The table below sets out selected economic statistics for China for the years indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	41,303.0	48,930.1	54,036.7	59,524.4	64,397.4	68,905.2	74,412.7	82,712.2	10.4%	8.6%
Real GDP growth rate (%)	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%	6.9%	-6.0%	2.9%
Per capita GDP (RMB)	30,876.0	36,403.0	40,007.0	43,852.0	47,203.0	49,992.0	53,980.0	59,660.0	9.9%	8.0%
Foreign Direct Investment (US\$ in billions)	114.7	124	121.1	123.9	128.5	135.6	135.7	136.3	2.5%	2.4%
Fixed Asset Investment (RMB in billions)	24,141.5	30,193.3	36,483.5	43,652.8	50,200.5	55,159.0	59,650.1	63,168.4	14.7%	9.7%

Source: CEIC

Since 2004, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed assets investment. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See the section headed "Regulation".

The property industry in the PRC

Property reforms

Property reforms in the PRC did not commence until the 1990s, prior to which the PRC property development industry was part of the nation's planned economy. In the 1990s, China's property and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

- 1988 The PRC government amended the national constitution to permit the transfer of state-owned land use rights
- 1992 Public housing sales in major cities commenced

- 1994 The PRC government further implemented property reform and established an employer/employee-funded housing fund
- 1995 The PRC government issued regulations regarding the sales and pre-sales of property, establishing a regulatory framework for property sales
- 1998 The PRC government abolished state-allocated housing policy
The Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
- 1999 The PRC government extended maximum mortgage term to 30 years
The PRC government increased maximum mortgage financing from 70% to 80%
The PRC government formalized procedures for the sale of property in the secondary market
- 2000 The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
- 2001 The PRC government issued regulations relating to the sales of commodity properties
- 2002 The PRC government promulgated the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale
The PRC government eliminated the dual system for domestic and overseas home buyers in China
- 2003 The PRC government promulgated rules for more stringent administration of property loans with a view to reducing the credit and systemic risks associated with such loans
The State Council issued a notice for sustainable and healthy development of the property market
- 2004 The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary standard residential houses), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction amended Administrative Measures on the Pre-sale of Commercial Housing in Cities. CBRC issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk management of commercial banks on property loans
- 2005 The PRC government instituted additional measures to discourage speculation in certain regional markets including increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed
- 2006 to
mid-2008 The PRC government implemented additional land supply, bank financing, foreign investment and other measures to curtail 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
The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings to further curtail speculation, over development and fast increases in property prices

- Mid-2008 to third quarter of 2009 The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties
- Fourth quarter of 2009 The PRC government adjusted some of its policies in order to enhance regulation in the property market, to restrain property purchases for investment or speculation purposes and to keep property prices from rising too quickly in certain cities, including abolishing certain preferential treatment relating to business tax payable upon transfers of residential properties
- 2010 The PRC government issued a number of measures and policies to curtail the overheating of the property market. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending the grant of mortgage loans to non-residents who cannot provide any proof of local tax or social security payments for more than one year, and limiting the number of residential properties that one family can purchase in certain areas, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of LAT in order to enforce the settlement and collection of LAT, and the criteria for commercial banks to identify the second residential property when approving mortgage loans
- 2011 The PRC government implemented measures aimed at further cooling the real estate property market. These measures include increasing the minimum down payment to at least 60% of the total purchase price, setting minimum mortgage lending interest rate of 110% of the benchmark rate, levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. There are also other measures targeting certain 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 and imposing property tax. In addition, certain cities, including Beijing, Shanghai, Qingdao, Chengdu and Jinan, have promulgated measures further limiting the number of residential properties one family is allowed to purchase. Between February and July 2011, the People's Bank of China (PBOC) raised the one-year benchmark lending rate by 75 basis points from 5.81% to 6.56%
- 2012 The PRC government continued to implement selected policies aimed at further cooling the real estate property market. The NDRC announced in February 2012 that the government intended to limit mortgage loans for home purchases by foreigners to reduce overseas investment in the local property market. However, the PRC government reiterated its support for first-time homebuyers, including the construction of affordable housing and the offer of differentiated loans by China's four biggest state-owned banks to first-time homebuyers and to fund affordable housing projects. Beginning in May 2012, the PRC government began to implement selected measures to support the growth of the Chinese economy. In May 2012, the government lowered banks' reserve requirement ratio by 50 basis points for the second time, lowering the reserve requirement ratio for the country's largest

financial institutions to 20%. The PRC government also lowered the PBOC one-year benchmark lending rate for the first time since December 2008, reducing the one-year benchmark lending rate by 56 basis points to 6.0%. In August 2012, the PRC government began preparing the implementation of a broader property tax following initial trials in Shanghai and Chongqing, with tax governors from across the country undergoing a six-month training program organized by the State Administration of Taxation to prepare for the tax's implementation. In December 2012, the PRC government announced its affordable housing program for 2013, with plans to start construction on 6 million units and complete 4.6 million units in 2013.

2013 On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20 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. In the third quarter of 2013, the minimum down payment for the second purchase of residential properties has been raised to 70 percent by several cities.

2014 To support the demand of purchasers of residential property and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice on Further Improving Financial Services for Residential Property on September 29, 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. 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.

2015 As of March 1, 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 government departments including the police, taxation and audit authorities. On March 30, 2015, the PBOC, CBRC and the MOHURD jointly announced an easing of the housing mortgage policy. The second-home down payment requirement for self-use ordinary housing was lowered from between 60 to 70% to 40%, and the minimum interest rate of 110% of the benchmark lending rate was eliminated. The down payment requirement 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 September 24, 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 February 1, 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 downward by 5% by local authorities. For existing residential property household owners who have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. From May 1, 2016, the reform to replace business tax with value-added tax is implemented nationwide and expanded to cover several key sectors such as real estate, construction, financial services and lifestyle services.

On September 3, 2016, the NPCSC adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of a foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities, except for foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, the NDRC and the MOFCOM jointly issued a notice regarding the scope of industries subject to the special administrative measures for foreign investment entry. On the same day, the MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises.

Since September 30, 2016, Beijing, Shanghai, Guangzhou, Shenzhen, Tianjin, Suzhou, Zhengzhou, Jinan, Qingdao, Wuxi, Hefei, Wuhan, Nanjing, Foshan, Dongguan, Fuzhou, Huizhou, Hangzhou, Shijiazhuang, Langfang, Baoding, Cangzhou, Chengde, Chengdu, Chuzhou, Changsha, Xiamen, Zhongshan and other cities have issued new property market control policies, including restoring or strengthening the restriction on purchases of residential properties and tightening credit policy.

2017 On March 15, 2017, the National People’s Congress of the PRC promulgated the General Rules of the Civil Law of the PRC which became effective from October 1, 2017 and which will set forth the basic principles and general rules for regulating civil activities in the PRC.

Additional information on housing reforms and recent regulatory developments is set out in the section entitled “Regulation” in this offering memorandum.

The property reforms, together with the economic growth of China, an increase in disposable income, the emergence of the mortgage lending market and an increase in the urbanization rate, are key factors in sustaining the growth of China’s property market. Government housing reforms continue to encourage private ownership and it is expected that the proportion of urban residents who own their private properties will continue to increase.

The table below sets out selected data relating to China’s urbanization and disposable income of urban households in China for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Urban population (in millions)	669.8	690.8	711.8	731.1	749.2	771.2	793.0	813.5	2.8%	2.7%
Total population (in millions) ..	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	0.5%	0.5%
Urbanization rate (%)	49.9%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%	58.5%	2.3%	2.2%
Per capita disposable income of urban households (RMB)	19,109.4	21,809.8	24,564.7	26,467.0	28,843.9	31,194.8	33,616.2	36,396.2	9.6%	8.3%

Source: CEIC

The property market in China

Prices for property in China increased from 2010 to 2017, with the average price of residential properties in China increasing from approximately RMB4,725.0 per sq.m. in 2010 to approximately RMB7,614.0 per sq.m. in 2017, while the average price for commodity properties in the same period increased from approximately RMB5,032.0 per sq.m. in 2010 to approximately RMB7,892.0 per sq.m. in 2017.

In addition, investment in property development increased from approximately RMB4,826.7 billion in 2010 to approximately RMB10,980.0 billion in 2017.

The table below sets out selected data relating to the property market in China for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Investment in property development (RMB in billions) . . .	4,826.7	6,173.9	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	10,980.0	12.5%	6.3%
Total GFA sold (sq.m. in millions) . . .	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1	7.1%	6.7%
GFA of residential properties sold (sq.m. in millions) . . .	933.8	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4	1,447.9	6.5%	5.8%
Average price of commodity properties (RMB per sq.m.)	5,032.0	5,357.1	5,791.0	6,237.3	6,323.0	6,793.0	7,476.0	7,892.0	6.6%	6.1%
Average price of residential properties (RMB per sq.m.)	4,725.0	4,993.2	5,429.9	5,849.8	5,932.0	6,472.0	7,203.0	7,614.0	7.1%	6.8%

Source: CEIC

Real estate sales revenue

The upward trend in the China property industry is evidenced by the growth of revenue from the sale of properties in China. According to CEIC, the total GFA of residential properties sold in the PRC increased from approximately 933.8 million sq.m. in 2010 to approximately 1,447.9 million sq.m. in 2017. During the same period, total GFA sold increased from approximately 1,047.6 million sq.m. in 2010 to approximately 1,694.1 million sq.m. in 2017.

The property market in Guangdong Province

Guangdong Province is located in the southern region of China. It has an area of approximately 179,813 sq.km. In 2017, Guangdong Province had a population of approximately 111.7 million. The real GDP growth rate of Guangdong Province exceeded the average national growth rate in each of the past 10 years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	4,601.3	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3	7,951.2	8,987.9	10.0%	9.5%
Real GDP growth rate (%)	12.5	10.0	8.2	8.5	7.8	8.0	7.5	7.5%	-7.0%	-3.1%
Per capita GDP (RMB)	44,735.6	50,807.0	54,095.0	58,833.0	63,469.0	67,503.0	72,787.0	81,089.0	8.9%	8.4%
Per capita disposable income of urban households	23,897.8	26,897.5	30,226.7	29,537.3	32,148.1	34,757.2	37,684.0	40,975.1	8.0%	8.5%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 82.0 million sq.m. were completed in Guangdong Province in 2017, representing a CAGR of 5.4% since 2010. A total of 159.6 million sq.m. of total GFA was sold. The table below sets out selected data relating to the property market in Guangdong Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	56.6	61.4	63.6	62.7	73.3	60.4	65.9	82.0	5.4%	6.9%
GFA of residential properties completed (sq.m. in millions)	45.9	48.8	49.2	47.5	54.4	44.4	47.7	57.8	3.4%	5.1%
Total GFA sold (sq.m. in millions)	73.2	74.3	79.0	98.4	93.2	116.8	146.1	159.6	11.8%	12.9%
% of total GFA sold in the PRC	7.0%	6.8%	7.1%	7.5%	7.7%	9.1%	9.3%	9.4%	4.4%	5.7%
GFA of residential properties sold (sq.m. in millions)	65.5	67.1	71.6	88.3	81.6	104.9	130.2	135.2	10.9%	11.2%
Total sales revenue (RMB in billions)	548.1	585.3	640.8	894.1	846.2	1,144.3	1,621.5	1,879.3	19.2%	20.4%
Sales revenue from residential properties (RMB in billions)	459.0	507.1	548.8	747.6	696.0	996.7	1,424.0	1,543.8	18.9%	19.9%
Average price of commodity properties (RMB per sq.m.)	7,486.0	7,879.2	8,112.2	9,089.8	9,083.0	9,796.1	11,097.1	11,775.8	6.7%	6.7%
Average price of residential properties (RMB per sq.m.)	7,004.0	7,560.8	7,667.9	8,465.8	8,526.0	9,494.8	10,935.6	11,416.4	7.2%	7.8%

Source: CEIC, Wind

Guangzhou City

Guangzhou is the largest city in southern China and the capital of Guangdong Province, located in the central southern region of the province. In 2017, Guangzhou had a population of approximately 14.5 million. The city experienced a high GDP growth rate for the years from 2010 to 2017. Guangzhou's GDP reached approximately RMB2,150.3 billion in 2017. The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	1,074.8	1,242.3	1,355.1	1,542.0	1,670.7	1,810.0	1,954.7	2,150.3	10.4%	8.7%
Real GDP growth rate (%)	13.2	11.3	10.5	11.6	7.6	8.4	8.2	7.0	-8.7%	-11.9%
Per capita GDP (RMB)	87,458.0	97,588.0	105,908.9	119,695.0	128,478.0	134,066.0	141,933.0	150,678.0	8.1%	5.9%

Source: CEIC

Foshan City

Foshan is located in the central southern region of Guangdong Province, situated to the east of Guangzhou. In 2017, Foshan had a population of approximately 7.7 million. The city experienced a high GDP growth rate for the years from 2010 to 2017. Foshan's GDP reached approximately RMB955.0 billion in 2017. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP ..	565.2	621.0	661.3	701.0	744.2	800.4	863.0	955.0	7.8%	8.0%
Real GDP growth rate (%)	14.3	11.4	8.2	10.0	8.3	8.5	8.3	8.5	-7.1%	-4.0%
Per capita GDP (RMB)	80,312.7	86,073.2	91,259.4	96,310.0	101,617.0	107,716.0	115,891.0	N/A	N/A	N/A

Source: CEIC

Jiangmen City

Jiangmen is located in the southern region of Guangdong Province, on the west side of the Pearl River Delta. In 2017, Jiangmen had a population of approximately 4.6 million. Jiangmen's GDP reached approximately RMB269.0 billion in 2017 representing a per capita GDP of approximately RMB59,089.0. The table below sets out selected economic statistics of Jiangmen for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP ...	157.0	183.1	188.0	200.0	208.3	224.0	241.9	269.0	8.0%	7.7%
Real GDP growth rate (%)	14.5	13.0	8.1	9.8	7.8	8.4	7.4	8.1	-8.0%	-4.7%
Per capita GDP (RMB)	35,621.7	41,062.5	42,028.4	44,546.0	46,237.0	49,608.0	53,374.1	59,089.0	7.5%	7.3%

Source: CEIC

Huizhou City

Huizhou is located in the southeastern region of Guangdong Province. In 2017, Huizhou had a population of approximately 4.8 million. Huizhou's GDP reached approximately RMB383.1 billion in 2017, representing a per capita GDP of approximately RMB80,205.0. The table below sets out selected economic statistics of Huizhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP ...	173.0	209.3	236.8	267.8	300.0	314.0	341.2	383.1	12.0%	9.4%
Real GDP growth rate (%)	18.0	14.6	12.6	13.6	10.0	9.0	8.2	7.6	-11.6%	-13.5%
Per capita GDP (RMB)	38,650.0	45,330.9	50,873.5	57,144.0	63,657.0	66,231.0	71,605.2	80,205.0	11.0%	8.8%

Source: CEIC

Shaoguan City

Shaoguan is located in the northern region of Guangdong Province. In 2017, Shaoguan had a population of approximately 3.0 million. Shaoguan's GDP reached approximately RMB133.8 billion in 2017. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	68.3	81.7	90.6	101.0	111.3	115.0	121.8	133.8	10.1%	7.3%
Real GDP growth rate (%)	12.5	12.1	10.0	12.1	9.6	6.2	6.3	5.9	-10.2%	-16.4%
Per capita GDP (RMB)	24,050.4	28,759.9	31,702.2	35,063.0	38,386.0	39,380.0	41,388.4	45,000.0	9.4%	6.4%

Source: CEIC

Qingyuan City

Qingyuan is located in the northwestern region of Guangdong Province. In 2017, Qingyuan had a population of approximately 3.9 million. Qingyuan's GDP reached approximately RMB150.1 billion in 2017, representing a per capita GDP of 38,954.0. The table below sets out selected economic statistics of Qingyuan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	87.0	100.3	102.5	109.3	119.7	127.8	138.8	150.1	8.1%	8.3%
Real GDP growth rate (%)	12.9	8.3	5.1	8.2	7.9	8.2	7.9	6.0	-10.4%	-7.5%
Per capita GDP (RMB)	23,569.0	26,956.7	27,319.6	28,928.0	31,477.0	33,392.0	36,135.9	38,954.0	7.4%	7.7%

Source: CEIC

Zhaoqing City

Zhaoqing is located in the northwestern region of Guangdong Province. In 2017, Zhaoqing had a population of approximately 4.1 million. Zhaoqing's GDP reached approximately

RMB220.1 billion in 2017. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	108.6	132.4	146.2	166.0	184.5	197.0	208.4	220.1	10.6%	7.3%
Real GDP growth rate (%)	17.5	14.7	11.0	11.5	10.0	8.2	5.0	5.2	-15.9%	-18.0%
Per capita GDP (RMB)	27,986.6	33,642.0	36,864.3	41,479.0	45,795.0	48,670.0	51,178.0	53,674.0	9.7%	6.7%

Source: CEIC

Meizhou City

Meizhou is located in the eastern region of Guangdong Province. In 2017, Meizhou had a population of approximately 4.4 million. Meizhou's GDP reached approximately RMB112.6 billion in 2017. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	61.3	70.8	74.5	80.0	88.6	95.5	104.6	112.6	9.1%	8.9%
Real GDP growth rate (%) ..	14.1	13.6	10.1	11.1	8.5	8.6	7.5	6.8	-9.8%	-11.5%
Per capita GDP (RMB)	14,553.9	16,623.1	17,396.3	18,603.0	20,529.0	22,047.0	24,031.6	25,777.0	8.5%	8.5%

Source: CEIC

Maoming City

Maoming is located in the southwestern region of Guangdong Province. In 2017, Maoming had a population of approximately 6.2 million. Maoming's GDP reached approximately RMB292.4 billion in 2017. The table below sets out selected economic statistics of Shaoguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	149.2	174.5	193.6	216.0	234.9	244.6	263.7	292.4	10.1%	7.9%
Real GDP growth rate (%) ...	14.1	10.8	10.6	13.2	10.4	8.0	7.1	7.5	-8.7%	-13.2%
Per capita GDP (RMB)	25,495.9	29,811.4	32,677.6	36,063.0	38,951.0	40,324.0	43,211.1	47,443.0	9.3%	7.1%

Source: CEIC

Dongguan City

Dongguan is located in the central southern region of Guangdong Province, south of the provincial capital Guangzhou. In 2017, Dongguan had a population of approximately 8.3 million. Dongguan's GDP reached approximately RMB758.2 billion in 2015, representing a per capita GDP

of approximately RMB91,329.0. The table below sets out selected economic statistics of Dongguan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	424.6	473.5	501.0	549.0	588.1	627.5	682.8	758.2	8.6%	8.4%
Real GDP growth rate (%)	10.3	8.0	6.1	9.8	7.8	8.0	8.1	8.1	-3.3%	-4.7%
Per capita GDP (RMB)	52,798.2	57,469.8	60,556.5	66,109.0	70,605.0	75,616.0	82,682.2	91,329.0	8.1%	8.4%

Source: CEIC

The property market in Hunan Province

Hunan Province is located in the southern region of China, to the north of Guangdong Province. It has an area of approximately 211,487 sq.km. In 2017, Hunan Province had a population of approximately 68.6 million. The table below sets out selected economic statistics of Hunan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,603.8	1,967.0	2,215.4	2,462.0	2,704.0	2,905.0	3,124.5	3,459.1	11.6%	8.9%
Real GDP growth rate (%)	14.6	12.8	11.3	10.1	9.5	8.6	8.0	8.0	-8.2%	-5.7%
Per capita GDP (RMB)	24,719.0	29,880.0	33,480.0	36,943.0	40,270.5	42,968.0	45,931.0	50,563.0	10.8%	8.2%
Per capita disposable income of urban households	16,565.7	18,844.1	21,318.8	24,352.0	26,570.2	28,838.1	31,284.0	33,947.9	10.8%	8.7%

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 40.8 mm sq.m. were completed in Hunan Province in 2017. The total sales revenue amounted to approximately RMB446.1 billion, of which approximately RMB357.1 billion was from the sale of residential properties. The average price per sq.m. of commodity properties and residential properties in Hunan Province in 2017 was approximately RMB5,228.0 and RMB4,846.1, respectively, representing a CAGR of 7.5% and 7.0%, respectively, since 2010. The table below sets out selected data on the property market in Hunan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	33.5	41.5	44.6	45.9	40.2	39.7	45.3	40.8	2.9%	-2.9%
GFA of residential properties completed (sq.m. in millions)	28.3	34.4	36.9	37.6	31.8	30.9	33.6	30.7	1.2%	-5.0%
Total GFA sold (sq.m. in millions)	44.7	49.0	51.5	59.5	54.4	63.6	80.9	85.3	9.7%	9.4%
% of total GFA sold in the PRC	4.3%	4.5%	4.6%	4.6%	4.51%	4.95%	5.1%	5.0%	2.4%	2.5%
GFA of residential properties sold (sq.m. in millions)	41.4	44.6	46.6	54.1	45.5	56.7	71.9	73.7	8.6%	8.0%
Total sales revenue (RMB in billions)	140.6	185.7	208.5	252.6	229.9	273.9	375.2	446.1	17.9%	15.3%
Sales revenue from residential properties (RMB in billions)	124.8	157.0	171.2	211.5	185.9	225.4	311.4	357.1	16.2%	14.0%
Average price of commodity properties (RMB per sq.m.)	3,146.0	3,790.3	4,048.6	4,243.1	4,227.0	4,304.4	4,640.3	5,228.0	7.5%	5.4%
Average price of residential properties (RMB per sq.m.)	3,014.0	3,523.6	3,669.6	3,908.3	3,830.0	3,974.2	4,330.1	4,846.1	7.0%	5.5%

Source: CEIC, Wind

Changsha City

Changsha is the capital of Hunan Province, located in the central eastern region of the province. In 2017, Changsha had a population of approximately 7.9 million. Changsha's GDP reached approximately RMB1,053.6 billion in 2017, representing a per capita GDP of approximately RMB135,388.0. The table below sets out selected economic statistics of Changsha for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	454.7	561.9	640.0	715.3	782.5	851.0	935.7	1,053.6	12.8%	10.2%
Real GDP growth rate (%)	15.5	14.5	13.0	12.0	10.5	9.9	124,122.0	135,388.0	10.7%	8.0%
Per capita GDP (RMB)	66,443.0	79,530.0	89,903.0	99,570.0	107,683.0	115,443.0	9.4	9.0	-7.5%	-6.9%

Source: CEIC

The property market in Jiangsu Province

Jiangsu Province is located along the east coast of China. It has an area of approximately 102,600 sq.km. In 2017, Jiangsu Province had a population of approximately 80.3 million. Jiangsu's per capita disposable income of urban households in 2017 was RMB43,621.8. The table below sets out selected economic statistics of Jiangsu Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	4,142.5	4,911.0	5,405.8	5,975.3	6,508.8	7,011.6	7,608.6	8,590.1	11.0%	9.5%
Real GDP growth rate (%)	12.7	11.0	10.1	9.6	8.7	8.5	7.8	7.2	-7.8%	-6.9%
Per capita GDP (RMB)	52,840.0	62,290.0	68,347.0	75,354.0	81,874.0	87,995.0	95,270.0	107,189.0	10.6%	9.2%
Per capita disposable income of urban households	22,944.3	26,340.7	29,677.0	31,585.5	34,346.3	37,173.5	40,152.0	43,621.8	9.6%	8.4%

Source: CEIC, Wind

The table below sets out selected data on the property market in Jiangsu Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	87.0	84.5	98.5	97.1	96.2	102.9	100.7	95.8	1.4%	-0.3%
GFA of residential properties completed (sq.m. in millions)	65.5	64.8	76.9	75.8	72.6	79.3	76.0	70.9	1.1%	-1.7%
Total GFA sold (sq.m. in millions)	94.9	79.7	90.2	114.5	98.5	114.1	139.6	142.1	5.9%	5.5%
% of total GFA sold in the PRC	9.1%	7.3%	8.1%	8.8%	8.16%	8.88%	8.9%	8.4%	-1.1%	-1.1%
GFA of residential properties sold (sq.m. in millions)	81.1	67.7	79.2	101.9	88.0	102.8	126.6	124.9	6.4%	5.2%
Total sales revenue (RMB in billions)	554.0	522.4	606.7	791.4	689.8	839.6	1,229.3	1,306.7	13.0%	13.4%
Sales revenue from residential properties (RMB in billions)	453.7	415.9	508.9	677.8	596.9	737.5	1,105.5	1,132.6	14.0%	13.7%
Average price of commodity properties (RMB per sq.m.)	5,841.0	6,554.4	6,726.8	6,908.6	7,006.0	7,356.0	8,804.6	9,194.8	6.7%	7.4%
Average price of residential properties (RMB per sq.m.)	5,592.0	6,145.2	6,422.8	6,650.3	6,783.0	7,176.8	8,734.1	9,070.4	7.2%	8.1%

Source: CEIC, Wind

Zhenjiang City

Zhenjiang is located in the southwestern region of Jiangsu Province. In 2017, Zhenjiang had a population of approximately 3.2 million. Zhenjiang's GDP reached approximately RMB410.5 billion in 2017, representing a per capita GDP of approximately RMB128,800.0. The table below sets out selected economic statistics of Zhenjiang for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	198.8	231.1	263.0	292.7	325.2	350.2	383.4	410.5	10.9%	8.8%
Real GDP growth rate (%)	13.3	12.3	12.8	12.1	10.9	9.6	9.3	7.2	-8.4%	-12.1%
Per capita GDP (RMB)	64,284.4	73,980.6	83,650.7	92,633.0	102,652.0	110,351.0	120,603.0	128,800.0	10.4%	8.6%

Source: CEIC

The property market in Hubei Province

Hubei Province is located in the central region of China. It has an area of approximately 185,900 sq. km. In 2017, Hubei Province had a population of approximately 59.0 million. The table below sets out selected economic statistics of Hubei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,596.8	1,963.2	2,225.0	2,479.2	2,737.9	2,955.0	3,266.5	3,652.3	12.5%	10.2%
Real GDP growth rate (%)	14.8	13.8	11.3	10.1	9.7	8.9	8.1	7.8	-8.7%	-6.3%
Per capita GDP (RMB)	27,906.0	34,197.3	38,572.0	42,825.8	47,144.6	50,654.0	55,038.0	61,972.0	12.1%	9.7%
Per capita disposable income of urban households	16,058.4	18,373.9	20,839.6	22,667.9	24,852.3	27,051.5	29,385.8	31,889.4	10.3%	8.9%

Source: CEIC, Wind

According to CEIC, properties with a total GFA of 32.2 sq.m. were completed in Hubei Province in 2017, representing a CAGR of 3.4% since 2010. In 2017, the total sales revenue amounted to approximately RMB625.9 billion. The average price per sq.m. of commodity properties in Hubei Province in 2017 was approximately RMB7,674.8, representing a CAGR of 10.8% since 2010. The table below sets out selected data on the property market in Hubei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	25.4	32.2	32.7	30.4	34.3	27.9	31.3	32.2	3.4%	1.4%
GFA of residential properties completed (sq.m. in millions)	21.3	27.3	28.0	25.5	28.1	21.9	23.5	24.3	1.9%	-1.1%
Total GFA sold (sq.m. in millions)	35.1	41.9	40.4	53.0	56.0	62.4	74.3	81.6	12.8%	11.4%
% of total GFA sold in the PRC	3.3%	3.8%	3.6%	4.1%	4.6%	4.9%	4.7%	4.8%	5.3%	4.4%
GFA of residential properties sold (sq.m. in millions)	32.4	37.9	36.2	47.7	50.0	56.5	67.9	73.6	12.5%	11.5%
Total sales revenue (RMB in billions)	131.3	187.9	203.6	279.0	308.8	366.1	499.4	625.9	25.0%	22.4%
Sales revenue from residential properties (RMB in billions)	113.5	156.9	169.0	231.0	254.4	319.8	438.4	538.0	24.9%	23.5%
Average price of commodity properties (RMB per sq.m.)	3,743.0	4,486.4	5,042.8	5,266.2	5,513.0	5,863.3	6,724.0	7,674.8	10.8%	9.9%
Average price of residential properties (RMB per sq.m.)	3,506.0	4,142.1	4,668.0	4,847.2	5,085.0	5,663.4	6,457.0	7,306.6	11.1%	10.8%

Source: CEIC, Wind

Wuhan City

Wuhan is the capital of Hubei Province, located at the confluence of the Changjiang and Hanjiang Rivers. In 2017, Wuhan had a population of approximately 10.9 million. Wuhan's GDP

reached approximately RMB1,341.0 billion in 2017. The table below sets out selected economic statistics of Wuhan for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	556.6	676.2	800.4	905.1	1,006.9	1,090.6	1,191.3	1,341.0	13.4%	10.3%
Real GDP growth rate (%)	14.7	12.5	11.4	10.0	9.7	8.8	7.8	8.0	-8.3%	-5.4%
Per capita GDP (RMB)	58,961.0	68,315.0	79,482.0	88,999.7	98,000.0	104,132.0	111,469.0	123,831.0	11.2%	8.6%

Source: CEIC

The property market in Anhui Province

Anhui Province is located in east China, across the basins of the Yangtze River and the Huaihe River. It has an area of approximately 139,427 sq.km. In 2017, Anhui Province had a population of approximately 62.6 million. The table below sets out selected economic statistics of Anhui Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,235.9	1,530.1	1,721.2	1,923.9	2,084.9	2,200.6	2411.8	2,751.9	12.1%	9.4%
Real GDP growth rate (%)	14.6	13.5	12.1	10.4	9.2	8.7	8.7	8.5	-7.4%	-4.9%
Per capita GDP (RMB)	20,887.8	25,659.3	28,792.0	32,000.9	34,424.6	35,997.0	39,092.0	44,206.0	11.3%	8.4%
Per capita disposable income of urban households	15,788.2	18,606.1	21,024.2	22,789.3	24,838.5	26,935.8	29,156.0	31,640.3	10.4%	8.5%

Source: CEIC, Wind

According to the CEIC, properties with a total GFA of 47.5 million in sq.m. were completed in Anhui Province in 2017. The total sales revenue amounted to approximately RMB586.6 billion. The average price per sq.m. of commodity properties in Anhui Province in 2017 was approximately RMB6,375.3, representing a CAGR of 6.1% since 2010.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) ...	30.3	36.3	39.7	51.8	51.9	55.4	53.8	47.5	6.6%	-2.2%
GFA of residential properties completed (sq.m. in millions)	24.1	28.9	31.2	39.2	38.3	40.9	40.5	34.2	5.2%	-3.3%
Total GFA sold (sq.m. in millions)	41.5	46.1	48.3	62.7	62.0	61.7	85.0	92.0	12.0%	10.1%
% of total GFA sold in the PRC	4.0%	4.2%	4.3%	4.8%	5.1%	4.8%	5.4%	5.4	4.6%	3.1%
GFA of residential properties sold (sq.m. in millions) ...	36.4	39.9	42.8	55.7	53.7	53.6	75.1	79.5	11.8%	9.3%
Total sales revenue (RMB in billions)	174.7	220.0	233.0	318.3	334.5	336.9	503.6	586.6	18.9%	16.5%
Sales revenue from residential properties (RMB in billions)	142.0	174.5	192.2	266.2	269.2	271.4	423.2	487.9	19.3%	16.4%
Average price of commodity properties (RMB per sq.m.)	4,205.0	4,776.1	4,825.0	5,080.1	5,394.0	5,457.4	5,924.4	6,375.3	6.1%	5.8%
Average price of residential properties (RMB per sq.m.)	3,899.0	4,371.2	4,495.1	4,776.2	5,017.0	5,067.1	5,637.0	6,137.1	6.7%	6.5%

Source: CEIC, Wind

Hefei City

Hefei is the largest city and the capital of Anhui Province, located in the central region of the province. In 2017, Hefei had a population of approximately 8.0 million. Hefei's GDP reached approximately RMB721.3 billion in 2017, representing a per capita GDP of approximately RMB91,113.0. The table below sets out selected economic statistics of Hefei for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	296.2	363.7	416.4	467.3	518.1	566.0	627.4	721.3	13.6%	11.5%
Real GDP growth rate (%)	17.0	15.4	13.6	11.5	10.0	10.5	9.8	8.5	-9.4%	-7.3%
Per capita GDP (RMB)	54,796.0	48,540.0	55,182.1	61,555.0	67,689.0	73,102.0	80,138.0	91,113.0	7.5%	10.3%

Source: CEIC

Chuzhou City

Chuzhou is located in the eastern region of Anhui Province. In 2017, Chuzhou had a population of approximately 4.1 million. Chuzhou's GDP reached approximately RMB160.8 billion in 2017, representing a per capita GDP of approximately RMB39,599.0. The table below sets out the selected economic statistics of Chuzhou for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP	69.6	85.0	97.1	108.6	121.4	130.6	142.3	160.8	12.7%	10.3%
Real GDP growth rate (%)	15.6	14.0	13.1	11.1	9.4	9.9	9.2	9.0	-7.6%	-5.1%
Per capita GDP (RMB)	17,400.0	21,608.0	24,649.8	27,474.0	30,562.0	32,634.0	35,302.0	39,599.0	12.5%	9.6%

Source: CEIC

The property market in Liaoning Province

Liaoning Province is located in the southern district of northeastern region of China. It has an area of approximately 148,000 sq.km. In 2017, Liaoning Province had a population of approximately 43.7 million. The table below sets out selected economic statistics of Liaoning Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,845.7	2,222.7	2,484.6	2,721.3	2,862.7	2,874.3	2,203.8	3.0%	-3.0%
Real GDP growth rate (%)	14.2	12.2	9.5	8.7	5.8	3.0	-2.5	N/A	N/A
Per capita GDP (RMB)	42,355.0	50,760.0	56,649.0	61,685.9	65,201.2	65,524.0	50,314.0	N/A	N/A
Per capita disposable income of urban households	17,712.6	20,466.8	23,222.7	26,697.0	29,081.7	31,125.7	32,876.0	10.9%	9.1%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties Liaoning Province in 2017 was approximately RMB6,681.3 representing a CAGR of 5.8% since 2010. The table below sets out selected data on the property market in Liaoning Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) ...	45.0	63.2	64.4	61.5	61.5	32.4	27.0	27.9	-6.6%	-17.9%
GFA of residential properties completed (sq.m. in millions) ...	36.9	52.3	51.3	50.3	49.4	25.3	22.1	22.1	-7.0%	-18.5%
Total GFA sold (sq.m. in millions)	68.0	75.4	88.3	92.9	57.5	39.2	37.1	41.5	-6.8%	-18.3%
% of total GFA sold in the PRC	6.5%	6.9%	7.9%	7.1%	4.8%	3.1%	2.4%	2.4%	-13.0%	-23.4%
GFA of residential properties sold (sq.m. in millions)	60.1	66.2	76.6	80.1	49.3	34.8	33.8	38.0	-6.4%	-17.0%
Total sales revenue (RMB in billions)	306.3	356.9	436.3	475.9	309.2	225.5	225.7	277.2	-1.4%	-12.6%
Sales revenue from residential properties (RMB in billions)	258.8	300.9	361.1	394.2	251.9	190.8	198.8	245.2	-0.8%	-11.2%
Average price of commodity properties (RMB per sq.m.)	4,505.0	4,732.6	4,942.0	5,121.7	5,373.0	5,758.1	6,080.2	6,681.3	5.8%	6.9%
Average price of residential properties (RMB per sq.m.)	4,303.0	4,542.9	4,717.2	4,918.2	5,107.0	5,486.0	5,876.4	6,458.3	6.0%	7.0%

Source: CEIC

Shenyang City

Shenyang is the capital of Liaoning Province, located in the central region of the province. In 2017, Shenyang had a population of approximately 8.3 million. Shenyang's GDP reached approximately RMB586.5 billion in 2017, representing a per capita GDP of approximately RMB70,722.0. The table below sets out selected economic statistics of Shenyang for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP ...	501.8	591.6	660.3	715.9	709.9	728.1	554.6	586.5	2.3%	(4.9)%
Real GDP growth rate (%)	14.1	12.3	10.0	8.8	5.9	3.5	-5.6	3.5	-18.1%	-20.6%
Per capita GDP (RMB)	62,357.0	72,648.0	80,480.1	86,850.0	85,816.0	87,833.0	66,893.0	70,722.0	1.8%	-5.0%

Source: CEIC

The property market in Hainan Province

Hainan Province is located in the southern region of China, in the South China Sea. It has an area of approximately 35,354 sq.km. In 2017, Hainan had a population of approximately 9.3 million.

The table below sets out selected economic statistics of Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	206.5	252.3	285.6	317.8	350.1	370.3	404.5	446.3	11.6%	8.9%
Real GDP growth rate (%)	16.0	12.0	9.1	9.9	8.5	7.8	7.5	7.0	-11.1%	-8.3%
Per capita GDP (RMB)	23,831.0	28,898.0	32,377.0	35,663.0	38,923.7	40,818.0	44,252.0	48,430.0	10.7%	8.0%
Per capita disposable income of urban households	15,581.1	18,369.0	20,917.7	22,411.4	24,486.5	26,356.4	28,453.0	30,817.4	10.2%	8.3%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hainan Province in 2017 was approximately RMB11,836.8, representing a CAGR of 4.4% since 2010. The table below sets out selected data on the property market in Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	6.1	4.5	8.6	6.1	12.0	10.7	16.7	12.7	11.0%	20.1%
GFA of residential properties completed (sq.m. in millions)	5.2	4.0	7.3	5.2	10.5	9.2	14.4	9.5	9.2%	16.5%
Total GFA sold (sq.m. in millions)	8.5	8.7	9.3	11.9	10.0	10.5	15.1	22.9	15.1%	17.8%
% of total GFA sold in the PRC	0.8%	0.8%	0.8%	0.9%	0.8%	0.8%	1.0%	1.4%	7.5%	10.4%
GFA of residential properties sold (sq.m. in millions)	8.3	8.2	9.0	11.5	9.4	9.8	14.2	21.7	14.7%	17.1%
Total sales revenue (RMB in billions)	74.7	77.4	73.6	103.3	93.5	98.3	149.0	271.4	20.2%	27.3%
Sales revenue from residential properties (RMB in billions)	73.4	74.4	70.2	99.7	87.3	90.9	138.5	247.3	18.9%	25.5%
Average price of commodity properties (RMB per sq.m.)	8,735.0	8,943.5	7,893.8	8,668.8	9,315.0	9,339.3	9,878.5	11,836.8	4.4%	8.1%
Average price of residential properties (RMB per sq.m.)	8,800.1	9,083.1	7,811.3	8,633.1	9,262.0	9,226.4	9,775.4	11,380.8	3.7%	7.2%

Source: CEIC

The property market in Guizhou Province

Guizhou Province is located in the southwestern region of China. It has an area of approximately 68,018 sq.km. In 2017, Guizhou had a population of approximately 35.8 million. The table below sets out selected economic statistics of Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	3Y CAGR
Nominal GDP (RMB in billions)	460.2	570.2	685.2	808.7	926.6	1,050.3	1,173.4	1,354.1	16.7%	13.8%
Real GDP growth rate (%)	12.8	15.0	13.6	12.5	10.8	10.7	10.5%	10.2%	-3.2%	-5.0%
Per capita GDP (RMB)	13,119.0	16,413.0	19,710.0	23,151.0	26,437.0	29,847.0	33,127.0	37,956.0	16.4%	13.2%
Per capita disposable income of urban households . .	14,142.7	16,495.0	18,700.5	20,564.9	22,548.2	24,579.6	26,743.0	29,079.8	10.8%	9.0%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Guizhou Province in 2017 was approximately RMB4,770.7, representing a CAGR of 5.1% since 2010. The table below sets out selected data on the property market in Guizhou Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	10.5	14.6	14.2	17.6	28.4	25.8	19.0	11.7	1.6%	-9.7%
GFA of residential properties completed (sq.m. in millions)	8.3	11.0	11.2	13.5	20.5	19.3	12.8	7.8	-0.7%	-12.7%
Total GFA sold (sq.m. in millions)	17.3	18.8	21.9	29.7	31.8	35.6	41.6	47.0	15.3%	12.1%
% of total GFA sold in the PRC	1.7%	1.7%	2.0%	2.3%	2.6%	2.8%	2.6%	2.8%	7.7%	5.0%
GFA of residential properties sold (sq.m. in millions)	16.0	17.0	20.0	26.5	27.1	29.4	34.3	39.0	13.6%	10.2%
Total sales revenue (RMB in billions)	58.1	73.2	90.0	127.7	137.0	157.2	179.1	224.1	21.3%	15.1%
Sales revenue from residential properties (RMB in billions)	50.2	59.3	74.0	98.9	100.0	106.8	126.9	162.3	18.3%	13.2%
Average price of commodity properties (RMB per sq.m.)	3,357.1	3,888.8	4,115.7	4,295.3	4,312.0	4,415.1	4,307.3	4,770.7	5.1%	2.7%
Average price of residential properties (RMB per sq.m.)	3,142.4	3,489.7	3,695.4	3,735.5	3,694.0	3,629.0	3,704.2	4,165.0	4.1%	2.8%

Source: CEIC

The property market in Hebei Province

Hebei Province is located in the northwestern region of China. It has an area of approximately 72,500 sq.km. In 2017, Hebei had a population of approximately 75.2 million. The table below sets out selected economic statistics of Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	2,039.4	2,451.6	2,657.5	2,844.3	2,942.1	2,980.6	3,182.8	3,596.4	8.4%	6.0%
Real GDP growth rate (%)	12.2	11.3	9.6	8.2	6.5	6.8	6.8	6.7	-8.2%	-4.9%
Per capita GDP (RMB)	28,668.0	33,969.0	36,584.0	38,909.0	39,984.0	40,255.0	42,736.0	47,985.0	7.6%	5.4%
Per capita disposable income of urban households	16,263.4	18,292.2	20,543.4	22,226.7	24,141.3	26,152.2	28,249.09.6	30,547.8	9.4%	8.3%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Hebei Province in 2017 was approximately RMB7,202.7, representing a CAGR of 10.7% since 2010. The table below sets out selected data on the property market in Hebei Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	36.1	51.8	48.9	44.4	40.4	40.4	42.9	34.2	-0.8%	-6.3%
GFA of residential properties completed (sq.m. in millions)	31.3	42.7	39.8	35.2	31.9	32.3	33.5	27.3	-1.9%	-6.1%
Total GFA sold (sq.m. in millions)	46.6	58.9	51.4	56.8	57.1	58.5	66.8	64.3	4.7%	3.2%
% of total GFA sold in the PRC	4.5%	5.4%	4.6%	4.3%	4.7%	4.6%	4.2%	3.8%	-2.3%	-3.4%
GFA of residential properties sold (sq.m. in millions)	43.3	52.9	46.2	50.2	50.2	51.6	59.0	55.8	3.7%	2.7%
Total sales revenue (RMB in billions)	165.0	234.5	230.4	278.0	292.8	337.2	430.2	462.8	15.9%	13.6%
Sales revenue from residential properties (RMB in billions)	148.9	199.4	191.5	232.9	250.2	285.4	371.1	392.5	14.9%	13.9%
Average price of commodity properties (RMB per sq.m.)	3,539.0	3,982.8	4,478.0	4,897.3	5,131.0	5,758.8	6,437.7	7,202.7	10.7%	10.1%
Average price of residential properties (RMB per sq.m.)	3,442.0	3,766.8	4,142.0	4,639.6	4,988.0	5,529.6	6,289.9	7,038.5	10.8%	11.0%

Source: CEIC

The property market in Henan Province

Henan Province is located in the central region of China. It has an area of approximately 64,000 sq.km. In 2017, Henan had a population of approximately 95.6 million. The table below sets out selected economic statistics of Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	2,309.2	2,693.1	2,959.9	3,219.1	3,493.8	3,701.0	4,016.0	4,498.8	10.0%	8.7%
Real GDP growth rate (%)	12.5	11.9	10.1	9.0	8.9	8.3	8.1	7.8	-6.5%	-3.5%
Per capita GDP (RMB)	24,446.1	28,661.0	31,499.0	34,211.5	37,071.7	39,131.0	42,247.0	47,130.0	9.8%	8.3%
Per capita disposable income of urban households	15,930.3	18,194.8	20,442.6	21,740.7	23,672.1	25,575.6	27,233.0	29,557.9	9.2%	8.0%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Henan Province in 2017 was approximately RMB5,354.9, representing a CAGR of 8.4% since 2010. The table below sets out selected data on the property market in Henan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	44.3	55.3	58.7	59.7	73.2	53.9	63.0	62.0	4.9%	1.0%
GFA of residential properties completed (sq.m. in millions)	38.5	48.1	48.9	49.2	57.7	42.4	50.2	47.0	2.9%	-1.1%
Total GFA sold (sq.m. in millions)	54.5	62.8	59.7	73.1	78.8	85.6	113.1	133.1	13.6%	16.2%
% of total GFA sold in the PRC	5.2%	5.7%	5.4%	5.6%	6.5%	6.7%	7.2%	7.9%	6.1%	8.8%
GFA of residential properties sold (sq.m. in millions)	50.9	57.3	54.6	65.6	70.1	76.5	101.4	117.1	12.6%	15.6%
Total sales revenue (RMB in billions)	165.9	219.7	228.7	307.4	334.1	394.6	561.3	712.9	23.2%	23.4%
Sales revenue from residential properties (RMB in billions)	145.5	178.8	191.6	251.6	273.9	330.0	483.9	589.8	22.1%	23.7%
Average price of commodity properties (RMB per sq.m.)	3,042.4	3,500.8	3,831.2	4,205.3	4,366.0	4,611.3	4,964.4	5,354.9	8.4%	6.2%
Average price of residential properties (RMB per sq.m.)	2,856.3	3,123.2	3,511.3	3,834.9	3,909.0	4,316.5	4,773.7	5,037.6	8.4%	7.1%

Source: CEIC

The property market in Jiangxi Province

Jiangxi Province is located in the southeastern region of China. It has an area of approximately 64,400 sq.km. In 2018, Jiangxi had a population of approximately 46.2 million. The table below sets out selected economic statistics of Jiangxi Hainan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	945.1	1,170.3	1,294.9	1,441.0	1,571.5	1,672.4	1,836.4	2,081.9	11.9%	9.6%
Real GDP growth rate (%)	14.0	12.5	11.0	10.1	9.7	9.1	9.0	8.9	-6.3%	-3.1%
Per capita GDP (RMB)	21,253.0	26,150.0	28,800.0	31,930.0	34,674.0	36,724.0	40,106.0	45,187.0	11.4%	9.1%
Per capita disposable income of urban households .	15,481.1	17,494.9	19,860.4	22,119.7	24,309.2	26,500.1	28,673.0	31,198.1	10.5%	9.0%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Jiangxi Province in 2017 was approximately RMB6,149.5, representing a CAGR of 10.1% since 2010. The table below sets out selected data on the property market in Jiangxi Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	18.2	19.1	17.5	17.9	18.7	19.1	16.4	18.5	0.3%	0.9%
GFA of residential properties completed (sq.m. in millions)	15.5	16.2	14.4	14.3	15.1	15.3	13.2	13.7	-1.8%	-1.1%
Total GFA sold (sq.m. in millions)	24.7	24.2	24.0	31.7	30.7	34.8	46.9	58.4	13.1%	16.5%
% of total GFA sold in the PRC	2.4%	2.2%	2.2%	2.4%	2.5%	2.7%	3.0%	3.4%	5.6%	9.2%
GFA of residential properties sold (sq.m. in millions)	22.7	21.6	21.3	28.5	27.8	31.5	41.4	49.6	11.9%	14.9%
Total sales revenue (RMB in billions) . . .	77.6	100.2	113.7	164.8	162.2	186.4	267.8	359.3	24.5%	21.5%
Sales revenue from residential properties (RMB in billions)	67.0	82.4	93.1	139.6	137.9	160.7	220.7	288.0	23.2%	19.8%
Average price of commodity properties (RMB per sq.m.)	3,143.7	4,147.7	4,744.7	5,203.2	5,288.0	5,358.1	5,708.6	6,149.5	10.1%	4.3%
Average price of residential properties (RMB per sq.m.)	2,958.6	3,822.0	4,381.2	4,905.3	4,971.0	5,107.3	5,330.6	5,799.9	10.1%	4.3%

Source: CEIC

The property market in Sichuan Province

Sichuan Province is located in the southwestern region of China. It has an area of approximately 187,000 sq.km. In 2017, Hainan had a population of approximately 83.0 million. The table below sets out selected economic statistics of Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	1,718.5	2,102.7	2,387.3	2,639.2	2,853.7	3,010.3	3,268	3,698.0	11.6%	8.8%
Real GDP growth rate (%)	15.1	15.0	12.6	10.0	8.5	7.9	7.8	8.1	-8.5%	-5.1%
Per capita GDP (RMB)	21,182.0	26,133.0	29,608.0	32,617.0	35,128.0	36,836.0	39,695.0	44,651.0	11.2%	8.2%
Per capita disposable income of urban households . . .	15,461.2	17,899.1	20,307.0	22,227.5	24,234.4	26,205.3	28,335.3	30,726.9	10.3%	8.4%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Sichuan Province in 2017 was approximately RMB6,216.8, representing a CAGR of 6.0% since 2010. The table below sets out selected data on the property market in Sichuan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions) . .	39.7	42.3	58.7	51.1	53.3	45.5	70.5	56.2	5.1%	2.4%
GFA of residential properties completed (sq.m. in millions)	33.9	34.6	47.1	40.3	38.7	31.5	46.8	36.8	1.2%	-2.3%
Total GFA sold (sq.m. in millions)	64.0	65.4	64.6	73.1	71.4	76.7	93.0	108.7	7.9%	10.4%
% of total GFA sold in the PRC	6.1%	6.0%	5.8%	5.6%	5.9%	6.0%	5.9%	6.4%	0.7%	3.5%
GFA of residential properties sold (sq.m. in millions) . .	58.5	58.3	56.8	65.1	61.8	64.9	78.8	87.9	6.0%	7.8%
Total sales revenue (RMB in billions) . . .	264.7	321.8	351.8	402.0	399.7	419.9	535.9	675.7	14.3%	13.9%
Sales revenue from residential properties (RMB in billions)	233.1	267.7	281.6	330.9	314.5	326.9	429.6	517.4	12.1%	11.8%
Average price of commodity properties (RMB per sq.m.)	4,138.5	4,917.9	5,448.8	5,497.6	5,597.0	5,474.8	5,762.0	6,216.8	6.0%	3.1%
Average price of residential properties (RMB per sq.m.)	3,984.8	4,595.1	4,959.2	5,086.0	5,092.0	5,033.6	5,449.3	5,888.1	5.7%	3.7%

Source: CEIC

The property market in Yunnan Province

Yunnan Province is located in the southwestern region of China. It has an area of approximately 152,000 sq.km. In 2017, Yunnan had a population of approximately 48.0 million. The table below sets out selected economic statistics of Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Nominal GDP (RMB in billions)	722.4	889.3	1,030.9	1,183.2	1,281.5	1,371.8	1,487.0	1,653.1	12.6%	8.7%
Real GDP growth rate (%)	12.3	13.7	13.0	12.1	8.1	8.7	8.7	9.5	-3.6%	-5.9%
Per capita GDP (RMB)	15,752.0	19,265.0	22,195.0	25,322.0	27,263.6	29,015.0	31,265.0	34,545.0	11.9%	8.1%
Per capita disposable income of urban households	16,064.5	18,575.6	21,074.5	22,460.0	24,299.0	26,373.2	28,611.0	30,995.9	9.8%	8.4%

Source: CEIC, Wind

According to the CEIC, the average price per sq.m. of commodity properties in Yunnan Province in 2017 was approximately RMB5,918.8, representing a CAGR of 9.4% since 2010. The table below sets out selected data on the property market in Yunnan Province for the periods indicated.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total GFA completed (sq.m. in millions)	15.4	15.7	18.5	20.2	17.9	25.5	21.2	24.2	6.7%	4.6%
GFA of residential properties completed (sq.m. in millions)	12.6	12.6	14.9	15.8	12.6	18.9	14.3	15.5	3.1%	-0.3%
Total GFA sold (sq.m. in millions)	29.6	32.2	32.4	33.1	31.9	31.5	36.4	43.3	5.6%	6.9%
% of total GFA sold in the PRC	2.8%	2.9%	2.9%	2.5%	2.6%	2.5%	2.3%	2.6%	-1.4%	0.2%
GFA of residential properties sold (sq.m. in millions)	26.6	26.6	27.9	28.6	26.2	25.8	29.3	34.8	3.9%	5.1%
Total sales revenue (RMB in billions)	93.5	117.2	136.3	148.7	159.6	166.7	191.8	256.1	15.5%	14.6%
Sales revenue from residential properties (RMB in billions)	76.9	95.9	107.7	119.3	116.5	123.7	141.1	197.4	14.4%	13.4%
Average price of commodity properties (RMB per sq.m.)	3,158.0	3,635.4	4,209.2	4,494.1	4,998.0	5,299.8	5,269.0	5,918.8	9.4%	7.1%
Average price of residential properties (RMB per sq.m.)	2,893.3	3,388.4	3,861.0	4,176.3	4,451.0	4,799.8	4,812.0	5,664.3	10.1%	7.9%

Source: CEIC

The tourism industry in the PRC

China's tourism industry and hotel industry have benefited from the strong economic growth in China which has resulted in higher disposable incomes of urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travelers also contributed to the growth of China's tourism and hotel sectors. In 2017, there were 5,140.5

million visits, of which there were 5,001.0 million visits from domestic travelers and 139.5 million visits from Hong Kong, Macau, Taiwan and other international travelers, representing a CAGR, of 13.2% and 0.6%, respectively, since 2010. Out of the 5,140.5 million visits, approximately 110.3 of such visits were from travelers from Hong Kong, Macau and Taiwan. The table below sets out the number of domestic visits and international visits in China from 2010 to 2017.

	2010	2011	2012	2013	2014	2015	2016	2017	7Y CAGR	4Y CAGR
Total visits (millions)	2,236.8	2,776.4	3,089.4	3,391.1	3,739.5	4,133.8	4,573.4	5,140.5	12.6%	11.0%
Total domestic visits (millions)	2,103.0	2,641.0	2,957.0	3,262.0	3,611.0	4,000.0	4,435.0	5,001.0	13.2%	11.3%
Total international visits (millions)	133.8	135.4	132.4	129.1	128.5	133.8	138.4	139.5	0.6%	2.0%
From Hong Kong and Macau (millions)	102.5	103.0	99.9	97.6	96.8	102.3	104.6	104.5	0.3%	1.7%
From Taiwan (millions)	5.1	5.3	5.3	5.2	5.4	5.5	5.7	5.9	1.9%	3.3%
Foreigners (millions)	26.1	27.1	27.2	26.3	26.4	26.0	28.2	29.2	1.6%	2.6%
Total increase / (decrease)	10.3%	24.1%	11.3%	9.8%	10.3%	10.5%	10.6%	12.4%	2.7%	6.2%

Source: Wind

Tourism industry in Guangdong Province

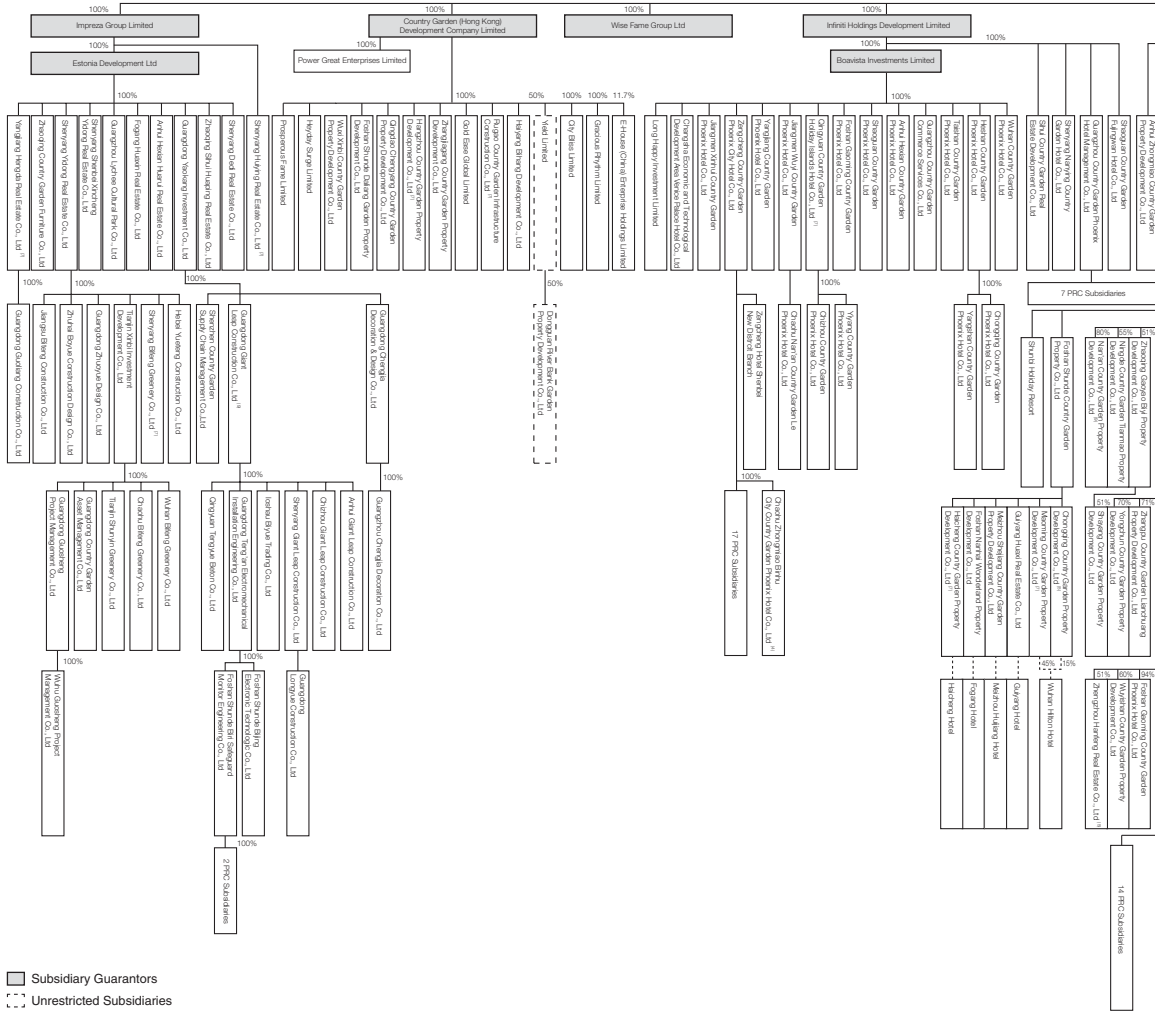
In 2016, Guangdong Province received approximately 397.8 million visits, of which 362.5 million visits were from domestic travelers, and 35.3 million visits were from international travelers. The number of total visits has grown at a CAGR of 10.59% since 2010. Of the international visits, the majority were from Hong Kong and Macau, which accounted for 35.3 million of the inbound visits in 2016. The table below sets out the number of inbound visits to Guangdong Province from 2010 to 2016.

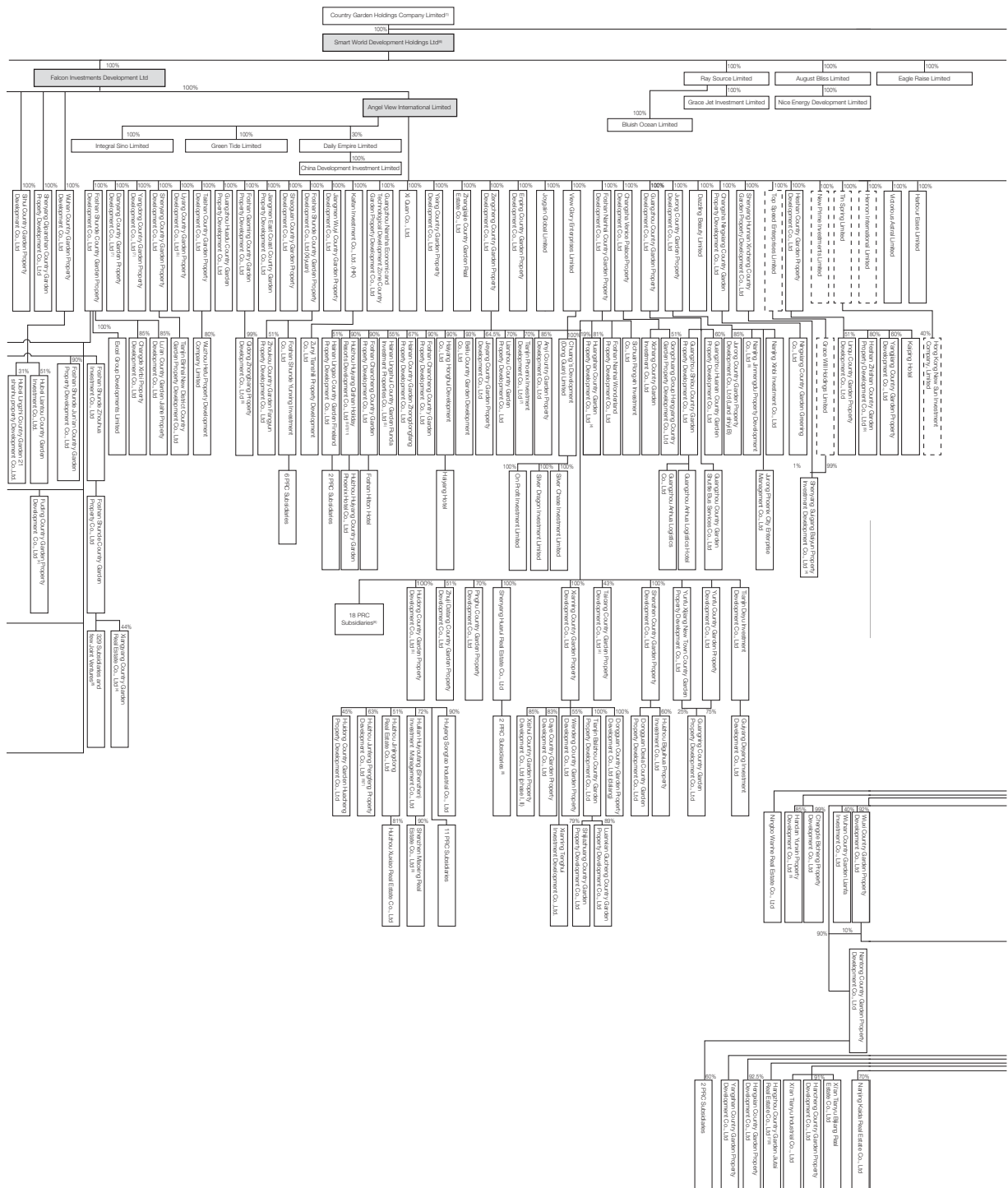
	2010	2011	2012	2013	2014	2015	2016	6Y CAGR	4Y CAGR
Total visits (millions)	217.4	249.8	273.7	301.5	326.5	361.9	397.8	10.6%	9.8%
Total domestic visits (millions)	186.0	216.4	238.4	267.5	292.9	327.5	362.5	11.8%	11.1%
Total international visits (millions)	31.5	33.6	35.2	34.0	33.6	34.4	35.3	1.9%	0.1%
From Hong Kong and Macau (millions)	21.0	22.9	24.3	23.5	23.0	23.8	21.3	0.2%	-3.2%
From Taiwan (millions)	3.2	3.2	3.1	2.9	2.8	2.8	2.8	-2.2%	-2.5%
Foreigners (millions) ..	7.3	7.5	7.8	7.6	7.8	7.8	8.3	2.2%	0.2%
Total increase / (decrease)	19.5%	14.9%	9.6%	10.2%	8.3%	10.9%	9.9%	-10.7%	0.8%

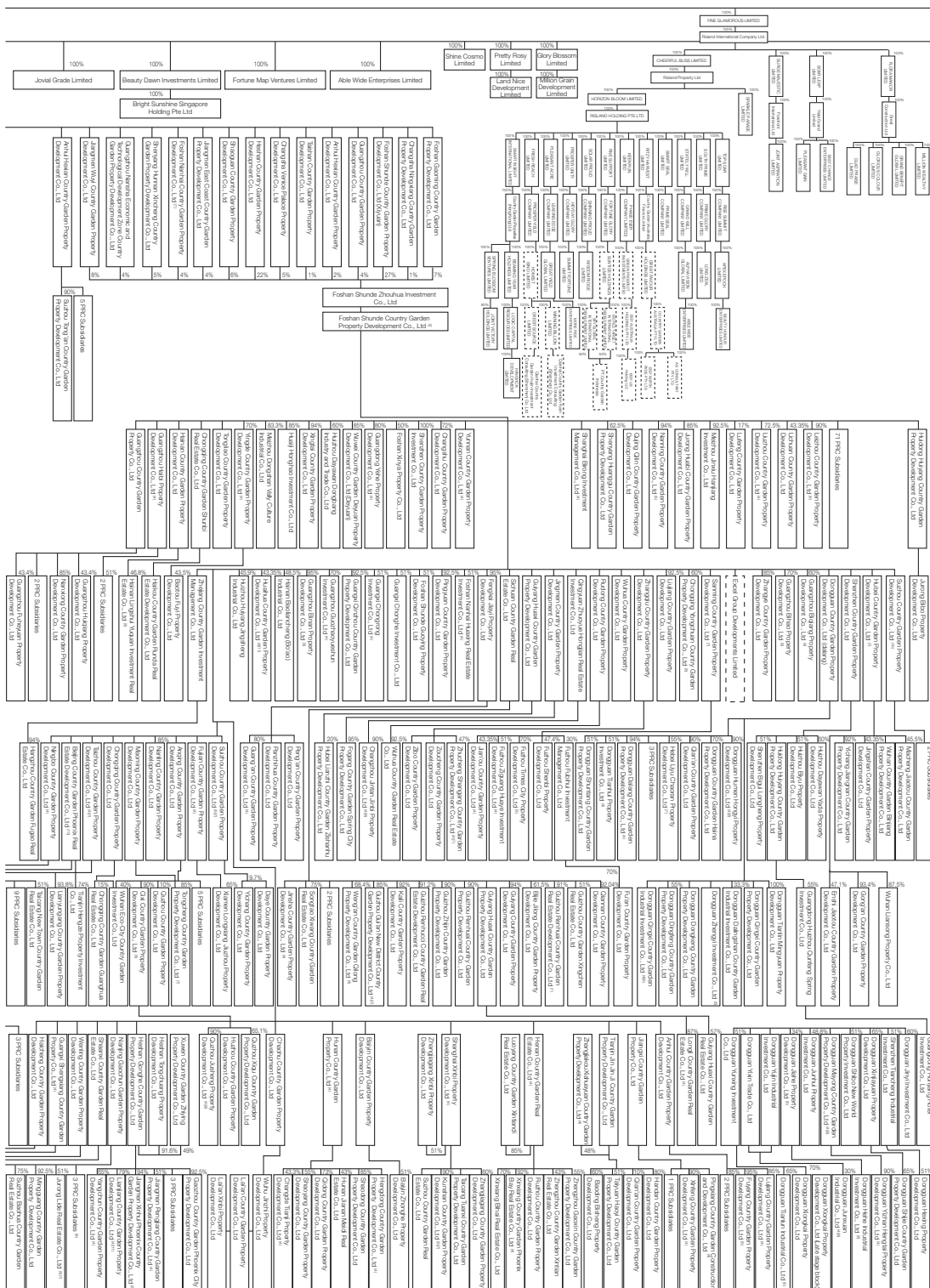
Source: Wind

Corporate structure

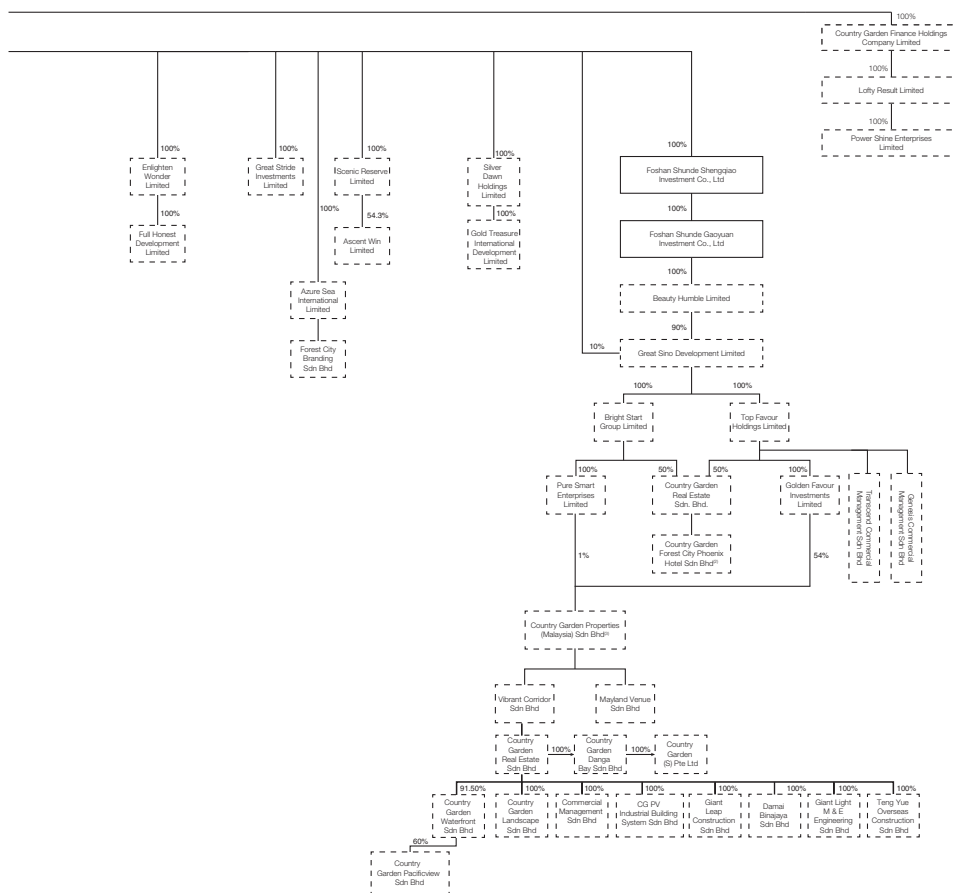
The following chart sets forth a simplified corporate structure of our Group as of December 31, 2018.







Unrestricted Subsidiaries



Unrestricted Subsidiaries

- Notes:
- (1) Our controlling shareholder, Yang Huiyan, held 57.23% of our shares as of the date of this offering memorandum. See “Management—Directors’ interests” and “Principal shareholders.”
 - (2) Formerly known as “Country Garden Hotel Management Sdn Bhd”.
 - (3) Formerly known as “Wealthy Signet Sdn Bhd”.
 - (4) The registered capital of the company has not been fully paid.
 - (5) The company’s shares have been pledged pursuant to trust financing arrangements and loan agreements.
 - (6) Subsequent to December 31, 2018, we, in our ordinary course of business, incorporated or acquired certain subsidiaries in Australia, the British Virgin Islands, Hong Kong, Indonesia, Malaysia, Singapore, Cayman Islands and the PRC and may from time to time incorporate or acquire new subsidiaries, in our ordinary course of business, subsequent to the date of this offering memorandum.
 - (7) The company and Jiujiang Country Garden Property Development Co., Ltd Zhangye Country Garden Property Development Co failed filing its annual report in time as required by relevant PRC law.
 - (8) Fengshun Country Garden Property Development Co., Ltd, Jianguo Gaoxin Country Garden Real Estate Co., Ltd, and Baicheng Country Garden Property Development Co., Ltd failed filing its annual report in time as required by relevant PRC law. The shares of each of Lanzhou Country Garden Property Development Co., Ltd., Yancheng Country Garden Property Development Co., Ltd, Guangzhou Xinbi Property Development Co., Ltd, Kaiping Country Garden Property Development Co., Ltd, Qingyuan Country Garden Xinya Property Development Co., Ltd, Jurong Baobi Country Garden Property Development Co., Ltd, Hunan Dongchenshidi Property Development Co., Ltd, Jianguo Jinyu Property Development Co., Ltd Zhoukou Country Garden Fangyun Property Development Co., Ltd, Zhengzhou Bihai Real Estate Co., Ltd, Dongguan Tianlin Mingyuan Property Development Co., Ltd, Dongguan Qishi Jindi Country Garden Property Development Co., Ltd, Jiangsu Baohua Country Garden Real Estate Co., Ltd, Shaanxi Jianqin Property Development Co., Ltd, Liyang Xinbi Property Development Co., Ltd and Linqun Country Garden Property Development Co., Ltd have been pledged to relevant trust companies or banks.
 - (9) This company has been cited on the PRC Supreme People’s Court’s website for failure to perform certain court obligations.
 - (10) The equity interest held by this company in its subsidiary is currently frozen by a court order due to certain ongoing disputes with former shareholders of such subsidiary.
 - (11) The equity interest held by the JV partner in Zhoukou Country Garden Fangyun Property Development Co., Ltd, Xiangyang Country Garden Real Estate Co., Ltd, Huizhou Huiyang Qishan Holiday Resorts Development Co., Ltd, Lianjiang Country Garden Property Development Co., Ltd, Huaihua Country Garden Property Development Co., Ltd, Hainan Country Garden Zhongdongfang Property Development Co., Ltd, Hengyang Huayan Real Estate Co., Ltd and Tianjin Hengze Property Investment Co., Ltd is currently frozen by a court.
 - (12) This company has been designated as an Unrestricted Subsidiary and will not guarantee the Notes.

Business

Overview

We are one of the leading integrated property developers in the PRC, with a majority of our assets and operations in the PRC and an expanding footprint of operations outside of the PRC. Since the commencement of our property development activities in 1997, we have benefited from, and we expect to continue to benefit from, the growth in the property sector associated with the economic development in the PRC, particularly in Guangdong Province, which is one of the most affluent provinces and fastest growing economies in the PRC. Our primary business has been the development of residential community projects and the sale of various types of properties, including townhouses, apartment buildings, parking spaces and retail shops. The majority of our products are targeted towards end-user customers. As an integrated property developer, our lines of business also include construction, installation, fitting and decoration. We separately listed our property management subsidiary, Country Garden Services Holdings Company Limited (碧桂園服務控股有限公司) (“CG Services”), on the main board of the Hong Kong Stock Exchange on June 19, 2018. Our residential home projects are generally located in urban and suburban areas of cities all throughout the PRC. Recently, approximately 36% of our residential sales have been in first and second tier cities and the remaining 64% in third and fourth tier cities. As of December 31, 2018, we had 2,148 projects at various stages of development. Of these projects, 480 were located in Guangdong Province: 58 in Guangzhou City, 59 in Dongguan City, 46 in Foshan City, 33 in Jiangmen City, 52 in Huizhou City, 24 in Zhaoqing City, 23 in Qingyuan City 20 in Meizhou City, 25 in Zhongshan City and the remaining in various other cities. We also had 1,668 projects located outside Guangdong Province, spanning 21 provinces, five autonomous regions and four municipalities in the PRC.

In December 2011 we expanded our operations outside of the PRC for the first time, with a project in Malaysia and further expanded into Australia in October 2013. Since the commencement of our overseas expansion we have continued to grow our operations outside of the PRC and, as of December 31, 2018, we had a total of 17 projects outside of the PRC. As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand. See “Risk Factors—We may not be successful in our overseas expansion” and “Business—Description of our property projects.” While we intend on exploring additional opportunities to expand our business outside of the PRC we expect the overwhelming majority of our future revenues to continue being generated by our property development business in the PRC.

As of December 31, 2018, our projects in the PRC had an aggregate completed GFA of approximately 142,971,718 sq.m. We had an aggregate saleable GFA under development of approximately 128,637,936 sq.m. and an aggregate saleable GFA of approximately 107,796,878 sq.m. relating to properties held for future development as of the same date. We have obtained land use rights certificates, development and operation rights or land title in respect of the completed GFA, GFA under development and GFA held for future development.

We also develop hotels to complement our residential properties.

For the years ended December 31, 2016, 2017 and 2018, our total revenue was RMB153,087.0 million, RMB226,899.8 million and RMB379,079 million (US\$55,135 million), respectively, and our

EBITDA was RMB21,949.2 million, RMB47,845.4 million and RMB79,530 million (US\$11,567 million), respectively.

Our shares have been listed on the Hong Kong Stock Exchange since April 20, 2007 under stock code 2007.

Competitive strengths

We are one of the largest property developers in the PRC with one of the largest, most geographically diversified, and lowest-cost land banks

As of December 31, 2018, we had an aggregate saleable GFA under development and for future development in China of approximately 236,434,814 sq.m. for which we have obtained all the relevant land use rights certificates or development and operation rights or land title, spanning 21 provinces, five autonomous regions and four provincial level municipalities. In addition, we have also entered into land grant contracts in respect of land for which we have applied for or are in the process of applying for land use rights certificates for future development. We expect that these new acquisitions will further increase the value and size of our land bank when we obtain the land use rights certificates.

We adopt a disciplined approach to land acquisition and development. We undertake market research and analysis as well as budget and financing planning prior to a land acquisition, which we believe enables us to exercise effective cost control. In addition, we continue to seek opportunities to acquire and develop land in close proximity to our existing mature projects. We believe such in-fill developments will lower potential execution risks given our experience with the local markets, service providers and target customers. For the years ended December 31, 2016, 2017 and 2018, we estimate that our average unit land cost based on GFA was approximately 20% to 30% of our average unit selling price. We believe our low-cost land bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

We have an established business model, which we believe has been successfully replicated in the markets where we operate

We focus on developing residential communities in the suburban areas of first- and second-tier cities as well as the newly urbanized town centers of third- and fourth-tier cities in the PRC where we believe we have high-growth potential. We proactively seek to enhance the value of our properties by creating a better living environment through the provision of comprehensive community facilities and premium services in our master-planned communities. Our business model leverages on China's economic growth, increasing urbanization and rising standards of living. We believe that we have aligned our business development objectives with those of local governments, as our large-scale township developments raise the living standards of the local population and help improve the business environment of the local economies.

Over the last decade, we have successfully replicated our business model in different cities in the PRC. Since 2006, we have continuously expanded our business and have since entered into certain overseas markets. As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and

two projects in New Zealand. We believe the success of Country Garden—Galaxy Palace, Country Garden—Phoenix City (Jurong), Country Garden—Ten Miles Golden Beach and Country Garden—Golden Beach, in particular, demonstrates our ability to replicate our business model and capitalize on our strong brand name in other provinces in China.

Our standardized operations enable us to provide high-quality and competitively priced products to our customers and to achieve quick asset turnover and attractive margins

We are one of the largest PRC property developers focusing on developing large-scale, multi-phase suburban residential communities in the PRC. We generally standardize principal features of our operations, such as land acquisition, project planning and design, procurement of raw materials, selection of contractors, sales and marketing and property management, which we believe enables us to:

- achieve economies of scale and increase operating efficiency through pooling internal resources, thereby helping to further improve our profit margins;
- ensure consistent product quality;
- strengthen our bargaining power with suppliers and contractors to obtain good quality supplies and services at relatively low costs, which help increase our pricing flexibility;
- smoothen project execution to achieve quick asset turnover; and
- respond rapidly to changes in market environment.

We believe that a combination of our strong brand recognition, high quality product mix and competitive pricing model has enabled us to pre-sell a substantial portion of the properties in our projects.

We maintain a robust liquidity position and have a strong credit profile

We actively manage our liquidity position by taking into account our development plans, capital needs and available cash and financing options. As of December 31, 2016, 2017 and 2018, our cash and cash equivalents amounted to RMB84,646.9 million and RMB137,083.9 million and RMB228,343 million (US\$33,211 million), respectively. We believe our quick asset turnover model has enabled our projects to generate positive cash flow in a relatively short period after commencement of development to support further developments.

We believe we have developed a strong credit profile over the years relative to many of our peers and have become a preferred customer of a number of major commercial banks in the PRC. We also have access to the international capital markets through debt, equity and equity-linked offerings. While we have a strong credit profile, we closely monitor our leverage ratio.

We have a strong brand in Guangdong Province with increasing recognition nationwide

We believe our brand name “Country Garden” (碧桂園), as well as our guiding motto, “Country Garden—Giving you a five-star home” (碧桂園 — 給您一個五星級的家), have strong market recognition in the PRC. We believe this market recognition is a result of our high quality products and services as we aim to provide our customers with not only pleasant and comfortable homes in a clean and safe environment, but also higher living standards supported by comprehensive

community facilities and services such as restaurants and catering, shopping, sports and leisure, transportation, education and domestic assistance. This market recognition has helped us to achieve our very well established position in the PRC property market.

We aim to strengthen the confidence and trust of our customers in our products and services, and to secure repeat customers and referrals for us, through an emphasis on quality property management and post-sales services. We believe that our strong financial performance demonstrates the trust that we have built with our customers and the recognition of our brand name and the quality of our products.

We have a highly effective management structure, experienced management team and professional workforce

We believe we have a highly effective management structure. Our headquarters in Guangdong Province vertically manages the principal functions of our operations, including land acquisitions, project design, human resources, financing planning and raw material procurement. As we expand into markets outside Guangdong, we have delegated certain functions such as project management and marketing to our project companies to facilitate smooth project execution, thereby enabling them to cater to local characteristics, shorten development cycles and quickly respond to changes in local market conditions.

Our senior management team has extensive industry knowledge, management skills and operating experience. Most of our management have been with us since our inception. In particular, Yeung Kwok Keung, our co-founder, has remained with our Company and has focused on our property development business since 1997. We believe management's interest is aligned with our interest given their substantial shareholdings in our Company. As of the date of this offering memorandum, our senior management (principally composed of our directors) in aggregate held an approximate 57.61% interest in our Company (excluding underlying shares).

Business strategies

Continue to focus on core property development business with a well balanced mix of property developments within and outside Guangdong Province

We intend to continue to grow our core property development business. We will actively look for suitable opportunities to develop residential communities in suburban areas of first-tier cities in the PRC as well as attractive opportunities in the newly urbanized town centers of second- and third-tier cities in the PRC where we believe we have promising economic growth potential. We believe this strategy is not only in line with China's urbanization trend of expanding existing urban boundaries of major cities and creating new urban clusters around second- and third-tier cities, but also complements our successful formula of controlling costs through our low-cost land bank, large-scale production and quick asset turnover. We will also continue to selectively look into opportunities outside of China as opportunities arise.

Since 2006, we have gradually expanded our operations outside Guangdong Province into 21 other provinces, five autonomous regions and four provincial level municipalities in China, as well as into Malaysia, Australia, Indonesia, India, Hong Kong, the United States, Thailand, the United Kingdom and New Zealand. We believe our geographical diversification efforts have provided us with a well balanced mix of property developments within and outside Guangdong Province in the PRC. Guangdong Province, which is one of the most affluent provinces and fastest

growing economies in China, will remain our principal market. Guangdong Province recorded a GDP per capita of approximately RMB81,089.0 in 2017, which is higher than the national average in 2017. We intend to continue to leverage our local knowledge and market reputation in Guangdong Province to further grow our business there. At the same time, we will continue to develop our existing projects in markets outside Guangdong Province, which have seen increased average selling prices over the years. Where suitable opportunities arise, we will also acquire more land and enter into new markets with high growth potential, within or outside the PRC. For example, we have expanded into and have four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand as of December 31, 2018.

We also intend to continue to develop high quality hotels in our large residential communities, as we believe they enhance the value and attractiveness of our residential community projects. We believe this strategy also improves our competitiveness during the land tender process, as high quality hotels are seen by local governments of second- and third-tier cities in the PRC as an important feature to attract visitors and improve the commercial appeal of the environment. We may consider engaging, and are currently in discussions with, certain international management firms to manage some of our hotels to further enhance the value of our hotel properties.

Continue to focus on developing properties having an attractive value-to-price ratio

We intend to continue to focus on our strategy of providing our customers with high-value properties at competitive prices. We will continue to leverage our expertise and industry experience to develop large-scale integrated residential communities featuring value-added facilities and services that cater to a broad end-user driven customer base. Our facilities include clubhouses, hotels, supermarkets, schools, clinics, sports and recreational facilities as well as food and beverage outlets, and our services include childcare, domestic assistance, property management, security and shuttle bus services for residents both within the projects as well as from projects to city centers. We endeavor to develop and refine our product design to accommodate changing market conditions and consumer preference. We will also encourage creativity and innovation in our product design through collaboration between our in-house experts and third-party professionals.

Maintain prudent financial management policies

We will continue to closely monitor our capital and cash positions, gauge our development scale and time our land acquisition and development schedule accordingly. We have budget and financing planning and cash management at the project level as well as the group level. We will continue to carefully manage our development costs for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sales and pre-sales to ensure adequate cash flow for our ongoing capital requirements. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Further strengthen our leading position and brand name recognition nationwide

We plan to further strengthen our leading position and our “Country Garden” brand name recognition in Guangdong Province and across China. To distinguish ourselves from our

competitors, we plan to continue to promote the “five-star home” motto and apply this to the services offered to our existing and prospective customers to improve the living environment of our customers. We will continue to encourage our existing customers to refer potential purchasers to us through incentive schemes.

Enhance effective internal management and controls

We intend to continue to adopt the best practices and standards in the industry for corporate governance and internal controls, drawing on senior management’s expertise and experience to facilitate our operations and expansion. We intend to further streamline our internal management functions by clearly defining the responsibilities of each operating unit to ensure orderly and efficient operations and rapid responses to changes in market conditions.

We will continue to incentivize our management and employees and seek to attract and retain talent through a competitive remuneration package. We will continue to provide our employees with a variety of training and development programs to assist in their career development. We will also actively recruit new talent to optimize our human resources and enhance the productivity and competitiveness of our workforce.

Implement our business diversification strategy

We plan to implement our business expansion plans through our entrance to the robotics and agriculture sectors and intend on making additional investments in these sectors to capitalize on market demand and explore alternative revenue streams. In July 2018, we made our first investment into the robotics business, deploying capital to research and develop robotics for a selective range of industries, including construction, interior decoration, inspection, sanitation, healthcare, agriculture, logistics and artificial intelligence, which could bring operational synergies to our existing business. We currently have projects in the high-tech space seeking to develop robotics which can help in the context of the food industry, automated factories and the manufacture of computer chips.

In addition to the high-tech space we are also exploring opportunities to further develop modern agriculture techniques and contribute to the revitalization of the rural economy. The scope of services we intend on offering touch upon crop farming, animal husbandry, seed development and modification as well as agricultural machinery and mechanization. In order to develop such agricultural technologies we have engaged industry professionals to help us develop our technology and know-how and intend to collaborate with farmers to pilot some of the technologies we have and will in the future develop.

Adhere to the goals of poverty alleviation and contributing to society

We believe that relationships with local communities in and around the areas in which we operate, and the PRC more generally, are important for our business. We practice corporate social responsibility policies which foster empowerment and entrepreneurship, creating economically self-sustaining communities through job creation and investing in the economy of such communities through building modern agriculture parks, community operated factories and poverty alleviation workshops. Furthermore, as we believe that education is the key to poverty alleviation we have implemented education foundations and schools providing completely free education. In December 31, 2018, our Group and its founders donated a total of RMB1,369 million (US\$199 million) to public welfare and charity.

Recent Developments

Issuance of senior notes

On January 25, 2019 we issued additional 8.00% senior notes due 2024 in a principal amount of US\$450 million. Such additional notes were consolidated, and form a single series, with the US\$550 million 8.00% senior notes due 2024 issued on September 27, 2018. See “Description of other material indebtedness—January 2024 Notes.”

On January 25, 2019, we issued the April 2022 Notes due 2022 in an aggregate principal amount of US\$550 million. The April 2022 Notes bear an interest rate of 7.125%. See “Description of other material indebtedness—April 2022 Notes.”

Redemption and Cancellation of the 2019 Convertible Bonds

Upon maturity of the 2019 Convertible Bonds on January 27, 2019, the Company has redeemed all of the outstanding 2019 Convertible Bonds. Following the redemption, the Company does not have any outstanding 2019 Convertible Bonds and the 2019 Convertible Bonds has been delisted from SGX-ST.

Contracted Sales⁽¹⁾

In the month ended February 28, 2019, our Group, together with our joint ventures and associates, achieved contracted sales attributable to shareholders of the Company in an amount equal to approximately RMB41.81 billion (US\$6.08 billion), an increase of approximately 8.42% year on year, with contracted sales GFA attributable to shareholders of the Company of approximately 5.09 million square meters, an increase of approximately 13.24% year on year.

Overview of our property developments

We have obtained all the relevant land use rights certificates for land of our completed properties and obtained all or a portion of land use rights certificates for land of our properties under development. Further, we have property interests derived from land use rights transfer agreements, compensation agreements or land grant contracts to develop residential properties in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province, Liaoning Province, Henan Province, Guizhou Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Zhejiang Province and Yunnan Province. As of December 31, 2018, we had not yet obtained land use rights certificates to these parcels of land and these land parcels are vacant land for future development purposes.

In the PRC, the relevant properties in a property development project are treated as completed when the local government authorities issue a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report (房屋建築工程和市政基礎設施工程竣工驗收備案表). The relevant properties in a property development project in the PRC are treated as having received that certification when we have provided the relevant government authorities with, among other things, the following documents and when an official seal has been affixed to the inspection-for-completion form:

- Relevant approvals and acceptance documents from the bureau of planning, public security and fire services and environmental protection;

- Completed Construction Works Certified Report (建設工程竣工驗收報告);
- Construction Permit (建設工程施工許可證);
- Project Quality Assessment Report (工程質量評估報告);
- Quality Inspection Report on Investigation and Design Documentation (勘察、設計文件質量檢查報告); and
- Inspection Report on the Quality of Construction Projects (建設工程質量監督報告).

A property in the PRC is treated as “under development” immediately following the issuance of the Construction Permit until the time of issuance of the Certification of Completion.

Unless otherwise indicated, we have obtained the relevant land use rights certificates, development and operation rights or land title for our properties referred to in this offering memorandum. As our projects typically comprise multi-phase developments that are developed on a rolling basis, a single project may include a number of phases that are variously completed, still under development or held for future development.

The site area information for an entire project is based on the relevant land use rights certificates, development and operation rights or land title. The aggregate GFA of an entire project is calculated by multiplying its site area by:

- the plot ratio specified in other approval documents from the local governments relating to the project;
- the maximum permissible plot ratio as specified in the relevant land grant contracts; or
- such lower plot ratio as we reasonably expect to be able to develop for such project.

The aggregate GFA of a project includes both saleable and non-saleable GFA. Non-saleable GFA refers to certain communal facilities, including transformer rooms and guard houses.

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

The project names used in this offering memorandum are the names that we have used, or intend to use, to market our properties.

Note:

(1) “Contracted sales” refer to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted sales amounts, ASP and GFA) through our internal records, and such information has not been audited or reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Contracted sales information should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this offering memorandum should not be unduly relied upon as a measure or indication of our current or future operating performance.

Serial number	Project	City (District)	Completed property developments ^(a)					Properties under development ^(b)					Properties for future development ^(c)		
			Aggregate saleable GFA for entire project	Total completed saleable GFA	Total saleable GFA delivered	Total pre-sold GFA	Completion date	Total saleable GFA under development	Total pre-sale commencement date	Actual/pre-sale commencement date	Estimated completion date	GFA for future development	Estimated commencement date	Estimated completion date	
70	Shuang Zhongliang Guobin Mansion (晋能中梁·国宾府)	Suqian (Shuyang)	64,696	141,197	139,003	333	240Dec/18	64,696	64,308	22Dec/17	3rd Quarter, 2019	3rd Quarter, 2019	4th Quarter, 2021		
71	Beihai Yimhai (北海奕海)	Beihai (Yimhai)	262,395	150,881	150,881	333	240Dec/18	121,398	121,215	8Sep/17	3rd Quarter, 2019	3rd Quarter, 2019	4th Quarter, 2021		
72	Country Garden—Foshan Mansion (碧桂园·佛山)	Foshan (Haidi)	150,881	52,734	52,483	333	240Dec/18	98,157	72,597	8Oct/17	2nd Quarter, 2020	2nd Quarter, 2020	4th Quarter, 2021		
73	Country Garden—Foshan Mansion (碧桂园·佛山)	Wenzhou (Jinxi)	375,666	375,666	375,666	333	240Dec/18	268,177	80,967	10Jul/18	4th Quarter, 2019	3rd Quarter, 2019	4th Quarter, 2021		
74	Country Garden—Foshan Mansion (碧桂园·佛山)	Huzhou (Nansu)	125,889	125,889	125,889	333	240Dec/18	125,889	91,447	21Dec/17	4th Quarter, 2019	4th Quarter, 2019	4th Quarter, 2021		
75	Country Garden—Jiangzhou Mansion (碧桂园·江州府)	Jiangzhou (Baifu)	149,945	149,945	149,945	333	240Dec/18	149,945	138,806	29Sep/17	1st Quarter, 2020	3rd Quarter, 2019	4th Quarter, 2021		
76	Country Garden—Jiangzhou Mansion (碧桂园·江州府)	Shanwei (Chengxi)	184,176	184,176	184,176	333	240Dec/18	184,176	184,176	26Jan/17	4th Quarter, 2019	4th Quarter, 2019	4th Quarter, 2021		
77	Country Garden—Times City (碧桂园·时代城)	Shanwei (Haifeng)	358,537	7,291	7,291	333	19Jun/18	215,372	124,626	22Sep/17	4th Quarter, 2020	4th Quarter, 2020	4th Quarter, 2022		
78	Country Garden—Xiliu Lake (碧桂园·香洲凤凰城)	Zhengzhou (Gaoxin)	355,415	2,357,227	2,357,207	4,147	29Dec/18	198,750	72,625	12Dec/17	4th Quarter, 2020	4th Quarter, 2020	4th Quarter, 2022		
79	Shaoqian Country Garden (韶钦碧桂园)	Shaoqian (Zhenjiang)	4,648,742	3,577,829	3,573,418	4,147	27May/18	441,404	325,806	27Oct/17	4th Quarter, 2020	4th Quarter, 2020	4th Quarter, 2022		
80	Country Garden—Ten Miles Beach (including Diamond Sea & Weigang Bay) (碧桂园·十里银滩(含钻石海及威గాంగ湾))	Huizhou (Huizhou)	138,633	48,771	37,758	1,321	13Jun/18	79,662	74,566	24Nov/17	3rd Quarter, 2019	3rd Quarter, 2019	4th Quarter, 2021		
82	Country Garden—Binhai Bay (碧桂园·滨海湾)	Zhejiang (Ruzhou)	399,402	183,634	183,634	1,321	20Dec/18	205,868	203,347	14Oct/17	1st Quarter, 2020	1st Quarter, 2020	4th Quarter, 2021		
83	Country Garden—Zuiyi One (碧桂园·最逸壹)	Zunyi (South New Area)	121,777	72,901	71,159	878	24May/18	121,777	108,299	12Feb/18	2nd Quarter, 2019	2nd Quarter, 2019	4th Quarter, 2021		
84	Country Garden—Jade Riverside (including Boyue Riverside) (碧桂园·翡翠江(含碧悦滨江))	Taizhou (Jingjiang)	237,595	72,901	71,159	878	24May/18	164,694	162,911	12Jun/17	4th Quarter, 2019	4th Quarter, 2019	4th Quarter, 2021		
86	Country Garden—Zhihan Mansion (碧桂园·智瀚)	Yiyang (Gaoxin Area)	460,622	40,356	39,424	878	30Sep/18	185,613	141,072	30Nov/17	4th Quarter, 2020	2nd Quarter, 2019	2nd Quarter, 2022		
87	Country Garden Aoneng—Rome Century City (碧桂园·奥能·罗马世纪城)	Chuzhou (Quanjiao)	731,091	114,750	114,456	138	29Sep/18	289,984	208,460	27Jun/17	4th Quarter, 2020	4th Quarter, 2020	4th Quarter, 2023		
88	Country Garden—Xijiang Mansion—Phase One and Two (碧桂园·西江御府一至二期)	Jiangmen (Pengjiang)	1,038,482	114,750	114,456	138	29Sep/18	101,249	91,251	17May/17	4th Quarter, 2019	1st Quarter, 2019	4th Quarter, 2021		
89	Country Garden—Phoenix City (碧桂园·凤凰城)	Meizhou (Wuhua)	234,219	114,750	114,456	138	29Sep/18	334,928	205,208	22May/17	4th Quarter, 2019	4th Quarter, 2019	4th Quarter, 2021		
90	Country Garden—Baiyue Shijia (碧桂园·柏悦世家)	Changzhou (Liyang)	661,724	114,750	114,456	138	29Sep/18	168,313	72,149	23Nov/17	2nd Quarter, 2020	3rd Quarter, 2019	4th Quarter, 2021		
91	Country Garden—Jin County (碧桂园·锦城)	Zibo (Shiyan)	234,219	114,750	114,456	138	29Sep/18	304,684	182,847	30Oct/17	2nd Quarter, 2020	2nd Quarter, 2020	4th Quarter, 2021		
92	Country Garden—Jin County (碧桂园·锦城)	Qingyuan (Qingcheng)	661,724	114,750	114,456	138	29Sep/18	304,684	182,847	30Oct/17	2nd Quarter, 2020	2nd Quarter, 2020	4th Quarter, 2021		
93	Country Garden River and City (碧桂园·江与城)	Huainan (Shannan New Area)	281,207	225,027	225,027	152,874	4Aug/17	167,803	118,663	13Jul/18	2nd Quarter, 2020	4th Quarter, 2019	4th Quarter, 2021		
94	Country Garden River and City (碧桂园·江与城)	Huainan (Shannan New Area)	281,207	225,027	225,027	152,874	4Aug/17	167,803	118,663	13Jul/18	2nd Quarter, 2020	4th Quarter, 2019	4th Quarter, 2021		
95	Country Garden Yongshou Mansion (碧桂园·永寿府)	Yongzhou (Lingling)	218,091	147,128	145,790	1,338	23Aug/18	200,600	139,899	24Apr/18	2nd Quarter, 2020	3rd Quarter, 2019	2nd Quarter, 2021		
96	Country Garden Yongshou Mansion (碧桂园·永寿府)	Suzhou (Yongji)	221,095	147,128	145,790	1,338	23Aug/18	221,095	174,846	13Apr/18	2nd Quarter, 2020	3rd Quarter, 2019	2nd Quarter, 2021		
97	Country Garden (碧桂园)	Guangdong (Guangdong)	328,631	147,128	145,790	1,338	23Aug/18	181,033	181,123	28Sep/17	4th Quarter, 2019	3rd Quarter, 2019	2nd Quarter, 2021		
98	Country Garden—Hill Lake City (碧桂园·山湖城)	Guangdong (Guangdong)	681,998	488,659	480,949	481	5Jul/18	174,229	153,330	23Dec/17	1st Quarter, 2020	2nd Quarter, 2019	4th Quarter, 2020		
99	Country Garden—North City Image (碧桂园·北海城)	Changsha (Ningxiang)	497,361	386,837	386,837	481	10Sep/18	184,103	80,823	17Aug/18	4th Quarter, 2020	4th Quarter, 2020	4th Quarter, 2022		
100	Country Garden Park Lane (碧桂园·公园道)	Kunming (Panlong)	618,234	386,837	386,837	481	10Sep/18	228,377	82,828	28May/17	2nd Quarter, 2019	2nd Quarter, 2019	4th Quarter, 2020		
Total			58,356,659	21,395,941	20,533,925	473,281		22,706,628	15,364,164				12,910,681		

Notes:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurement by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

As of December 31, 2018, our project companies had entered into land grant contracts or land grant confirmation letters in respect of land in various cities in Guangdong Province, Fujian Province, Jiangsu Province, Hubei Province, Anhui Province, Shandong Province, Sichuan Province, Zhejiang Province, Hunan Province, Chongqing Municipality, Guizhou Province, Jiangxi Province, Qinghai Province, Hainan Province, Tianjin Municipality, Shanxi Province, Shaanxi Province, Hebei Province, Guangxi Zhuang Autonomous Region, Liaoning Province, Henan Province, Shanghai Municipality, Beijing Municipality, Jilin Province, Gansu Province and Yunnan Province. We have not yet paid any portion of the land premium for certain parcels of such land. As of December 31, 2018, we had not obtained land use rights certificates or land title in respect of these parcels of land. We cannot assure you that we will obtain the land use rights certificates or land title in respect of these parcels of land in a timely manner or at all. Further, we have not commenced any construction or preparation of construction relating to these parcels of land, nor do we have any detailed plans for them.

Description of our property projects

The following maps show the regions where our 2,148 projects in China are located as of December 31, 2018:



In terms of a breakdown of our Group's domestic contracted sales in the PRC, as of December 31, 2018, approximately 44% of our Group's contracted sales were derived from our projects which targeted the first and second-tier cities in China, while approximately 56% of our Group's contracted sales in the PRC were derived from our projects that targeted third- and fourth-tier cities.

As of December 31, 2018, we had four projects in Malaysia, one project in Australia, three projects in Indonesia, one project in India, two projects in Hong Kong, one project in the United States, five projects in Thailand, two projects in the United Kingdom and two projects in New Zealand.

The following table sets forth the information of our landbank GFA breakdown in the PRC by location as of December 31, 2018⁽¹⁾:

Location	Aggregate saleable GFA for entire project	Completed property developments ⁽²⁾				Properties under development ⁽³⁾			
		Total completed saleable GFA	Total saleable GFA sold and delivered	Total saleable GFA pre-sold pending delivery	Total saleable GFA under development	Total saleable GFA pre-sold	Total saleable GFA under development	GFA for future development ⁽⁴⁾	
Guangdong	115,273,201	59,872,332	58,457,739	916,821	26,989,573	12,098,220	28,411,296		
Jiangsu	38,162,160	15,644,501	15,156,912	160,807	13,528,670	6,835,849	8,988,989		
Anhui	28,746,237	14,241,532	13,915,711	44,993	10,120,550	5,581,783	4,384,155		
Hunan	24,554,941	6,982,133	6,732,305	115,573	9,098,283	4,392,980	8,474,525		
Hubei	18,657,378	7,983,663	7,798,094	142,081	6,492,612	2,958,619	4,181,103		
Henan	16,117,280	1,799,116	1,598,851	95,542	8,668,277	3,359,659	5,649,887		
Shandong	15,223,724	2,498,548	2,468,260	1,721	5,719,710	2,619,728	7,005,466		
Guangxi	14,966,121	3,272,556	3,066,837	102,114	6,313,945	3,352,845	5,379,620		
Zhejiang	12,941,636	2,861,999	2,675,755	144,340	7,664,476	3,627,876	2,415,161		
Guizhou	11,750,703	2,676,753	2,579,544	61,477	4,773,102	2,996,635	4,300,848		
Liaoning	9,483,354	6,396,214	6,286,708	53,462	1,665,708	1,251,974	1,421,432		
Fujian	8,099,485	2,873,749	2,742,218	121,009	3,641,061	1,834,775	1,584,675		
Hebei	8,079,675	1,640,938	1,584,302	18,568	3,515,765	1,813,391	2,922,672		
Sichuan	7,839,845	2,150,921	2,091,726	14,600	3,269,670	1,522,269	2,419,254		
Shaanxi	7,618,504	687,593	673,882	2,883	2,985,005	1,259,497	3,945,906		
Hainan	7,178,419	1,950,177	1,886,656	3,772	2,292,680	889,470	2,935,562		
Jiangxi	5,897,276	1,314,593	1,302,328	10,777	3,209,587	1,696,267	1,373,096		
Chongqing	5,537,996	1,722,766	1,632,117	10,145	1,618,409	806,097	2,196,821		
Yunnan	4,713,452	501,365	497,727	627	1,506,370	517,514	2,705,717		
Inner Mongolia	4,361,255	1,565,828	1,547,689	15,296	498,920	281,942	2,296,507		
Gansu	3,985,095	2,168,174	2,104,075	12,119	1,108,886	881,841	708,035		
Tianjin	2,950,886	1,272,750	1,196,746	21,232	625,903	234,336	1,052,233		
Shanxi	2,284,306	143,985	124,686	13,158	915,686	375,645	1,224,635		
Qinghai	995,108				620,141	453,438	374,967		
Beijing	888,259				240,957	24,720	647,302		
Ningxia	866,682				594,425	242,988	272,257		
Xinjiang	744,711				492,930	161,396	251,781		
Shanghai	709,867	136,057	123,673	2,710	344,663	87,317	229,147		
Heilongjiang	442,230	442,230	355,108	71,181					
Jilin	292,782	171,245	170,985						
Tibet	43,964								
Total	379,406,532	142,971,718	138,770,632	2,157,007	128,637,936	62,251,431	107,796,878		

Notes:

- (1) All the GFAs displayed in this section are attributable to the owners of the Company.
- (2) Based on the measurement reports from relevant government departments.
- (3) Based on the actual measurements by the project management department of the Group.
- (4) "GFA for future development" for each project is the GFA expected to be built.

Property development

Our property development and project management procedures

We integrate our resources to conduct land acquisition, planning, project design and construction, sales and post-sales support, and a series of development works. These areas are coordinated and supervised by our central management and carried out by our various functional departments, subsidiaries, and affiliates. We have also established a regional project management structure with a view to further strengthening our project management capabilities and efficiency as our operations continue to grow both inside and outside Guangdong Province. Under this regional project management structure, we currently divide our property development operations into 38 regions. Each region has a designated regional director responsible for overseeing property development.

Site selection

Site selection is a fundamental step in our property development process. A team of full-time staff members is designated for identifying sites in the PRC, Malaysia, Indonesia and Australia for prospective property development. Our pre-acquisition site visits and investigations, in conjunction with research and analysis, enable us to understand the general trends and specific conditions of target property markets when assessing the suitability for development of a particular site. When selecting sites for our development projects, we usually apply the following criteria:

- geographical location of the development sites, for example, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications; and
- estimated cost, investment and financial return.

Our marketing and sales center and our design service providers are involved in the early stages of the site identification process. The marketing and sales center carries out research and analysis relating to potential market demand. Design services, including planning and concept design, are provided by Guangdong Elite Architectural Co., Ltd. (“Guangdong Elite Architectural Co., Ltd.”), which is our affiliate and principal design service provider.

Upon completion of the preliminary feasibility studies, our executive directors become closely involved in the assessment process by conducting on-site visits before deciding whether to proceed with the acquisition of a site.

Once we have decided to acquire a site, Guangdong Elite Architectural Co., Ltd. begins its preliminary site-planning work.

Land acquisition

Prior to July 2002, we acquired some of our land use rights through a land grant contract or a land transfer agreement entered into with local government authorities. Since July 1, 2002, the PRC government introduced regulations requiring that the land transferred from government authorities be sold by a public tender, auction or listing-for-sale. Prior to submitting a tender, we analyze the market and estimate the budget required to develop the project. To acquire a parcel of land, we first need to be successful in the public tender, auction or the listing-for-sale process. In addition, we may also acquire corporate entities that hold land use rights or property projects.

As of December 31, 2018, we had an aggregate GFA of 379,406,532 million sq.m. located in 30 provinces and autonomous regions in China. Most of our land banks were located in Guangdong, Jiangsu, Anhui, Zhejiang, Hunan, Henan, Shandong, Hubei, Guizhou, Guangxi and other provinces, representing 24%, 10%, 6%, 4%, 7%, 6%, 5%, 5%, 4%, 5% and 24% of our total GFA in China, respectively.

As of December 31, 2018, we had an aggregate GFA under development and for future development of approximately sq.m. for which we have obtained the relevant land use rights certificates, development and operation rights or land title. We estimate that our current land reserves will be sufficient for our development needs for the next three to five years.

In addition, as of December 31, 2018, our project companies had entered into land grant contracts or land transfer contracts in respect of land in various cities in Guangdong Province, 21 other provinces, five autonomous regions and four municipalities in China, for which we have applied or were in the process of applying for land use rights certificates or land title.

In certain cases where we are interested in acquiring land in the PRC, we assist local governments in clearing the land and relocate the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. We do not control the timing of the sale of the land use rights in the land that we have cleared, nor do we set the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. If we are interested in bidding for the land, we are required to go through the tender, auction and listing-for-sale process as with other developers and there can be no assurance that we will win the bid. See “Risk factors—Risks relating to our business—We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.”

Our ability to acquire land for development is subject to extensive regulations issued by the PRC central and local governments. Further to the requirement of public tender, auction and listing-for-sale, on September 28, 2007, the Ministry of Land and Resources issued a new regulation, 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 or commence development on the land, effective November 1, 2007.

On November 18, 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office issued the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment for land premiums to 50% of the total premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources issued the “Circular on Strengthening Real Estate Land Supply and Supervision” (關於加強房地產用地供應和監管有關問題的通知) under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits

previously paid) as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions.

On May 23, 2012, the Ministry of Land and Resources issued the “Catalog of Restricted Use of Land (2012 Version Supplement)” (限制用地項目目錄(2012年本增補本)) and the “Catalog of Prohibited Use of Land (2012 Version Supplement)” (禁止用地項目目錄(2012年本增補本)) which provides that the area of a parcel of land granted for commodity housing development must not exceed seven hectares in small cities (towns), 14 hectares in medium cities or 20 hectares in large cities.

As a result of these regulations, property developers in the PRC are no longer 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 and commence development, which was the practice in many Chinese cities. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at a reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected as a result of the implementation of these regulations. We believe that larger property developers like ourselves generally are in a better position to compete for large pieces of land because they normally are in a stronger financial condition.

In Malaysia, Australia, Indonesia, India, Hong Kong, United States and Thailand, we rely on local counsel and consultants to guide us through the land acquisition process and assist us in entering into various sales and purchase agreements to acquire land sites for development.

Financing property developments and land premium

We finance our property developments through a combination of internal funds derived from sales proceeds and shareholder contributions as well as external financings mainly through bank loans and equity and debt financing in the international capital markets. We typically use internal funds and proceeds from capital markets financings to pay for the land acquisition costs and use internal funds and project loans from PRC and Malaysian banks to finance the initial construction costs for our property developments. External financing therefore is an important source of funding for our property development projects. As of December 31, 2018, our outstanding borrowings (including bank and other borrowings, receipts under securitization arrangements, the 2021 Notes, the Private Notes, the 2020 Notes, the January 2023 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2019 Convertible Bonds, the 2023 Convertible Bonds, the April 2022 Notes, other permitted pari passu secured indebtedness and corporate bonds) amounted to RMB329,269 million (US\$47,890.2 million). Our operations generate cash through pre-sales after the properties meet the requirements of pre-sale under PRC, Malaysian, Indonesia and Australian regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funding for the construction of our property developments.

On June 5, 2003, PBOC published the Notice on Further Strengthening the Management of Loans for Property Business (中國人民銀行關於進一步加強房地產信貸業管理的通知), which prohibits commercial banks from advancing loans to fund the payment of land premiums. As a result, property developers may not use PRC bank loans to pay for land premiums. Following the publication of this notice, we have paid land premiums from the proceeds from the sale of properties and not from

any of our outstanding bank borrowings. We plan to continue to use the proceeds from the sale of our properties, our other internal funds and proceeds from capital market financing to finance our future land premium payments. In addition, pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引), issued on September 2, 2004, any property developer applying for property development loans must have, as its own working capital, at least 35% of the project capital required for the development. In May 2009, to combat the impact of the global economic slowdown and to encourage domestic consumption, the State Council issued the “Notice for Adjusting the Capital Ratio for Fixed Assets Investment Projects” (國務院關於調整固定資產投資項目資本金比例的通知). Under this notice, the internal capital ratio for protected housing projects and ordinary commodity housing projects was lowered from 35% to 20%, and the internal capital ratio for other property projects was lowered from 35% to 30%, which was further decreased to 25% in September 2015. However, in an attempt to control the growth of the PRC property market, the PRC government in November 2009 raised the minimum down payment to 50% of the total land premium and on March 8, 2010, the Ministry of Land and Resources issued the circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知) under which property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract and the total amount of land premium is to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Such policy may constrain our cash otherwise available for additional land acquisition and construction in the PRC.

We obtain project loans from a number of commercial banks in the PRC and in Malaysia, including major PRC banks such as Agricultural Bank of China, Industrial and Commercial Bank of China, Bank of China, China Construction Bank and Guangdong Development Bank, as well as major Malaysian banks such as Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad and Malayan Banking Berhad.

We cannot assure you that we will be able to continue to obtain sufficient bank loans or facilities in the future. See “Risk factors—Risks relating to our business—We may not have adequate funding resources to finance land acquisitions or property developments, or to service our financing obligations.”

Project design work

Our general design work is mainly undertaken by Guangdong Elite Architectural Co., Ltd., which is an affiliate of our controlling shareholder and provides services to us on a priority basis. Our landscaping and greenery design is mainly undertaken by Foshan Shunde Oasis Greenery Design Co., Ltd., an independent third party. In Malaysia, both Guangdong Elite Architectural Co. and Foshan Shunde Oasis Greenery Design Co., Ltd. also work with local consultants to ensure their designs meet the standards set by relevant Malaysian government agencies. In Australia, we generally outsource our general design work to local independent third parties, and for landscaping and greenery design work, we plan to outsource them to independent third parties.

The design companies become involved in planning research and preliminary design work for a development project at the site selection and land acquisition stages. When determining the design of a particular property development, the designers and engineers generally consider the recommendations of our marketing and sales center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Involving the

design companies at an early stage allows for the formulation of a preliminary design when we are negotiating with the government, enabling us to commence construction shortly after the requisite approval to develop a parcel of land has been granted. The overall time needed to complete the development is therefore reduced.

Construction work and procurement

Construction work

The construction phase of a development project in the PRC begins once we obtain the Construction Permit for the project. The general project management department is responsible for the overall coordination and allocation of responsibilities in respect of the construction of each project area at different stages and supervises the progress of construction work. Prior to that, our project cost management department prepares the overall budget for a development at different stages. We set up a project company for each project to manage the whole property development project. The project company has a project manager, a project management department, a finance department and a sales department, all of which report to their corresponding functional departments at our headquarters.

We recently piloted the new Sci-tech, Safe & share, Green and Fine & fast (“SSGF”) construction and manufacturing technology in 111 property projects. As an integration of various core technologies, the SSGF system can enable construction on an industrial scale, enhance quality of the buildings, shorten the construction period, reduce emission and save energy. According to our internal record, the SSGF technology has enabled us to save more than 90% of plaster. We plan to widely adopt the SSGF technology once it matures.

Giant Leap Construction Co., our wholly owned subsidiary, currently undertakes most of the construction work for our development projects in Guangdong Province. Apart from a few related parties and other third parties, we are the principal customer of Giant Leap Construction Co.

For property projects outside Guangdong Province and overseas such as in Malaysia, Australia, India, Indonesia, New York and Thailand, we generally outsource the construction work to third party contractors to leverage on their local expertise. In addition, when Giant Leap Construction Co. does not have adequate resources to deal with a particular development or when the projected profits from a project are not economically attractive, we outsource project construction work in whole or in part to independent third parties. In such outsourcing cases, we select construction contractors through a tender process organized by our project cost management department. On a selective basis, we may also consider acquiring or setting up local construction companies in our major markets outside Guangdong Province. We have so far established local construction companies for our projects in Anhui Province, Hubei Province, Jiangsu Province, Liaoning Province, Hebei Province and Hainan Province. In Malaysia, we have also set up regional offices of Giant Leap Construction Co. to support the work of our third party contractors there. For property projects in Indonesia, we have outsourced the construction work to local independent third party construction contractors and plan to do the same for the projects we intend on developing in other locations outside the PRC.

Under PRC national laws and regulations, a tender process is usually required to select the contractors for public construction projects. When a tender process is required for one of our projects, the Tender Law of the PRC (中華人民共和國招標投標法) will apply. Certain local governments in the PRC may require that all construction projects go through a tender process.

Because of the growth in the number of our projects and their geographical coverage, we expect that we will continue to engage the services of independent construction contractors, particularly for projects outside Guangdong Province and overseas such as in Malaysia, Australia, India, Indonesia, New York and Thailand. See “Risk factors—Risks relating to our business—We rely on independent contractors.” Without any long-term construction outsourcing contracts in place, we intend to work with a number of qualified contractor candidates in order to create a competitive environment among them.

Procurement

Currently, some of the construction work for our projects in the PRC is undertaken by Giant Leap Construction Co., our wholly owned subsidiary. Some of the supplies, including equipment and material, for our construction work undertaken by Giant Leap Construction Co. are centrally procured through our procurement department. Our procurement department typically solicits price quotes from at least two prospective suppliers, negotiates the price and other terms with them and finalizes the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing procurement contracts for major equipment and constructions. Each transaction is initiated by a purchase order from our procurement department, and the suppliers are asked to deliver the supplies to locations specified by the relevant project companies or to our central warehouse, which has a computerized record-keeping system for inventory. Our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

When we outsource the construction work for a project to a third party contractor, the contractor generally undertakes the procurement of key construction materials such as steel, cement, sand and stone according to the specifications provided in the construction contract. The total contractor fee takes into account the costs of these materials and the construction contract typically allows adjustment to the total contractor fees if at the time of purchases, the prices of such construction materials have fluctuated beyond the range stipulated in the construction contract.

Fitting and decoration work

The finishing of most of our projects includes fitting and decoration in accordance with the standards set out in our design specifications for the project. Our wholly owned subsidiary, Finest Decoration Co., provides most of the fitting and decoration services for our projects in the PRC and Malaysia. Finest Decoration Co. is expected to continue to provide fitting and decoration services exclusively for our projects in the future. We also outsource some components of the fitting and decoration work to independent third parties through a tender process.

Quality control

We have established procedures to ensure that the quality of our properties and services comply with relevant regulations and meets market standards. Quality control procedures are implemented by the relevant functional departments as well as by each project company. For each property development project in the PRC, quality inspections and regulatory compliance reviews are carried out by the construction company, construction supervisory companies and our project management department.

In accordance with the PRC regulations, we engage the services of PRC-qualified third-party construction supervisory companies to supervise the construction of our property developments. These construction supervisory companies oversee, under a construction supervision contract, the progress and quality of the construction work of a property development throughout the construction phase. We select construction supervisory companies through a tender process.

In Malaysia, Indonesia, Australia and the other markets in which we have operations, to ensure construction quality, the relevant departments of our project companies work closely with local government agencies and consultants to perform site checks and supervise the construction process.

Pre-sales

Pre-sale of our property units commences before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC and the Administrative Measures governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property in the PRC can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;
- the construction works planning permit and construction project building permit must have been obtained;
- the funds contributed to the development of the property developments where property units are to be pre-sold must reach 25% or above of the total amount to be invested in the project, the project must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and
- pre-sale permits must have been obtained from the county-level construction bureau or property administration authority.

According to the Notice on Further Enhancing the Supervision of the Real Estate Market and Improving the Pre-sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知) issued by the MOHURD on April 13, 2010, the property developers are not allowed to charge the property purchasers any deposit, pre-payment or payment of the similar nature prior to obtaining the pre-sale permit.

Local governments have also implemented regulations relating to pre-sales of properties. Some of these regulations contain stricter requirements than the central government regulations. We are subject to these local regulations in areas where we have property developments.

Under PRC law, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the monies deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. See the section headed "Regulation" to this offering memorandum for further information on PRC regulations that relate to pre-sales.

Under Malaysian laws, we must receive the following approvals before launching the pre-sales of a particular property:

- the relevant local authorities must have approved our master planning of the development;
- we must have also received local authorities' approval of our building plans, which include information such as project's designs, planned GFAs and floor plans; and
- advertising and sale permits must have also been obtained from the Malaysian Ministry of Housing and Local Government before pre-sales can finally begin.

Under relevant property laws in New South Wales, there is no pre-sale requirement for off-plan apartment sales. However, deposits are typically held in trust accounts to protect interests of the buyers and the developers.

Marketing and sales

Our marketing and sales center is responsible for formulating and implementing our marketing and sales strategies. We support our marketing and sales activities through cooperation with external professional marketing and sales service providers. As of December 31, 2018, our marketing and sales team comprised approximately 58,280 employees.

Our marketing and sales center is involved in our property development starting from the early stages and provides its input at key steps. When a potential project is identified by our investment department, our marketing and sales center conducts local property market research and studies the government's land policies. Before we decide to acquire land, our marketing and sales center provides the results of the research and analysis of the relevant parcels of land. During the land acquisition process, our marketing and sales center provides suggestions on the site plan and design. During the project design and construction processes, our marketing and sales center also works closely with our project design companies to formulate, modify and execute a design plan according to consumer preferences and market feedback. Our sales team regularly provides customer feedback to Guangdong Elite Architectural Co., Ltd. and other departments for future improvements.

Customers

Local residents in Guangdong Province have historically been our core customer base. We expect to gradually broaden our customer base geographically as our projects outside Guangdong Province commence pre-sale and sale. A substantial portion of the purchasers of our overseas projects are, and are expected to continue to be, PRC persons. See "Risk factors—Risks relating to the PRC—PRC economic, political and social conditions, as well as government policies, could affect our business. We also sell our properties to residents in Hong Kong, Macau, neighboring provinces and to residents in Malaysia, Australia and Indonesia, as well as the other markets in which we have operations. We target a broad base of customers with varied income levels and backgrounds, with middle-class customers as our primary targets.

Payment arrangements

Our customers in the PRC, including those making pre-sales purchases, can pay with mortgage facilities arranged with banks. The mortgage payment terms for sales and pre-sales of properties

are substantially the same. All purchasers are required to make a down payment of at least 20% of the purchase price when executing a purchase contract. A maximum 30-year mortgage loan for up to 80% of the purchase price may be available from the mortgage banks to the purchasers who are required to settle such amount within one or three months following the execution of the sales and purchase contract.

Mortgage financing is subject to extensive regulation in the PRC, including requirements with respect to minimum down payments and mortgage lending interest rates. See “Regulation—Legal supervision relating to property sector in the PRC—E. Property transactions—(c) Mortgages of property” and “Risk factors—Risks relating to our business—Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise unavailable.”

If purchasers choose not to finance their purchase with mortgage loan facilities, they are typically required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract. In the case of a pre-sale, the remaining balance is payable within one or three months following the time of the execution of the sale and purchase contract. In the case of properties sold after completion, the remaining balance generally is payable within one month following the execution of the sale and purchase contract. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 40% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six months to five years. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to.

In accordance with market practice, we provide guarantees to banks for mortgage loans offered to our customers. Generally, our guarantees are released upon the earlier of the issuance of the individual property ownership certificate (房產所有權證) to the owner of the property or the certificate of other rights of property (房地產他項權證) to the mortgage bank by the relevant housing administration department, which are generally available within three months after we deliver the relevant property to our customers, or the full settlement of the mortgaged loan by our customers. Prior to 2003, we also provided long-term guarantees for the mortgage loan of some of our customers. These long-term guarantees were provided to increase confidence of the mortgage banks in providing mortgages to our customers in the then less sophisticated PRC property market. These guarantees are discharged two years from the day the mortgaged loans become due.

In line with customary practice in the industry, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgage banks. As of December 31, 2016, 2017 and 2018, our outstanding guarantees of the mortgage loans of our customers amounted to RMB127,502.7 million, RMB214,908.5 million and RMB319,239 million (US\$46,431 million), respectively. Historically, we have not experienced material losses due to default of purchases on the mortgages loans. See “Risk factors—Risks relating to our business—We guarantee the mortgages provided to our purchasers and, consequently, we are liable to the mortgagee banks if our purchasers default on their mortgage payments.”

In Malaysia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Malaysia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

In Australia, customers are required to pay 10% of the purchase price when executing a purchase contract, which can be made by cash, check or bank guarantee, and the remainder upon completion of the construction and delivery of the completed property. If the 10% of the purchase price is made by cash or check, the amount will be deposited into a trust account managed by our lawyers and will only be made available to us upon delivery of the completed property.

In Indonesia, customers can purchase our properties, including through pre-sales purchases, with mortgage facilities arranged with banks. Unlike in the PRC, we do not provide guarantees to banks for mortgage loans offered to our customers in Indonesia. Instead, we provide letters of undertaking for purchasers agreeing to refund the payments made using mortgage loans if we fail to complete the construction and deliver the properties to the purchasers.

Hotel development and operation

We develop hotels to compliment our residential properties. Most of these hotels are located in our large-scale residential community projects, which we believe have added value to our residential projects and enhanced our brand recognition.

While we believe that the demand for luxury hotels in China will increase as the economy of the region continues to grow and that our hotels and resorts will generate recurring income for us in the long run, we do not focus on the revenue or profit contributions from our hotel business on a stand-alone basis. Rather, we believe that our hotel business assists in enhancing our brand name recognition in the property market and contributes to our overall marketing and sales strategies for, and the overall value of, our residential projects. Most of our hotels are currently owned and operated by our own hotel companies. We have engaged several international management firms with respect to our Maritim Hotel, Wuhu, Maritim Hotel, Shenyang, Hilton Wuhan Optics Valley and Hilton Foshan. Our Maritim Hotel, Wuhu and Maritim Hotel, Shenyang commenced full operations in December 2010 and July 2011, respectively, and our Hilton Wuhan Optics Valley and Hilton Foshan commenced full operations in January and March 2014, respectively. In return for managing and operating these hotels, we agree to pay our hotel operating management partners a basic management fee based on a percentage of the respective hotel's net income, and an incentive fee with reference to the respective hotel's gross operating profit. In addition, we have signed a letter of understanding and management agreement with an international management firm with respect to some of our hotels under development or planning. We may also consider engaging other international management companies to manage our hotels.

The availability of our hotel facilities to the residents of our property projects is usually seen as an attractive feature by potential purchasers of our properties.

Our commitment to building and running hotels in certain localities has received support from local governments, which seek to improve the local investment environment and attract more tourist traffic and business establishments to their jurisdictions.

Asian Games City Project

On December 22, 2009, we and two other major property developers in the PRC, Agile and R&F Properties (R&F) through our and their respective subsidiaries, signed a land grant contract with the PRC government to acquire the Asian Games City Project. The Asian Games City Project is

located in the Panyu District of Guangzhou City. The project occupies a site area of approximately 2,639,520 sq.m. and is to be developed as part of the Asian Games City for offering residential and commercial properties with a total planned GFA of approximately 4,380,000 sq.m. The Asian Games City Project is being developed by the Asian Games City JV, in which we hold a minority equity interest. Part of the Asian Games City Project has been constructed or is under construction and the Asian Games City JV is in the process of applying for necessary government approvals for the development of the remaining properties of this project. We believe that our participation, alongside other major property developers, in this landmark project will enhance our position in the PRC property market and bolster our market share and position in Guangzhou City and Guangdong Province. We believe that the successful completion of the Asian Games City Project will reinforce our status as one of the leading property developers in the PRC.

As of December 31, 2018, we hold 27% equity interest and our equity contribution to the Asian Games City JV totaled approximately RMB866.9 million (US\$126.1 million). The total land premium for acquiring the land use rights for this project is RMB25.5 billion which has been paid as of the date of this offering memorandum.

To finance the Asian Games City Project, the Asian Games City JV has entered into loan facilities and trust financing arrangements under which we and our four joint venture partners provided guarantees. As of December 31, 2018, our guarantees for the Asian games City JV for its borrowings amounted to RMB85,344 million (US\$12,413 million).

Competition

The property industry in the PRC is highly competitive. Competitive factors include the size of land reserves and the geographical location, the types of properties offered, brand recognition, price, and design product qualities. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, and, to a lesser extent, property developers from Hong Kong and elsewhere in Asia. A number of our competitors have greater financial, marketing, land and other resources than we have, as well as greater economies of scale, broader name recognition, a longer track record and more established relationships in certain markets. An example of our principal competitors include China Vanke Co., Ltd. (萬科企業股份有限公司), because they have a presence in the regions in which we operate. For more information on competition, please refer to the section headed "Risk factors—Risks relating to our business—Increasing competition in the PRC may adversely affect our business, financial condition and results of operations."

In some of the other markets in which we operate outside of Guangdong province we face competition from property developers which are more established, have a better understanding of local rules and regulations as well as a longer track record of success. Additionally, in some of these other markets our scale may be smaller than the scale we enjoy in markets within the PRC in which we are more established or have traditionally conducted our business operations, increasing the cost of doing business in such markets.

Intellectual property rights

Foshan Shunde Country Garden Property Development Co., Ltd. has registered the trademarks and service marks of "碧桂園" in the form of Chinese characters, as well as in the form of logos, with the PRC Trademark Office (中華人民共和國商標局) under various categories including

construction, realty leasing, realty management and realty agency. Foshan Shunde Country Garden Property Development Co., Ltd has also registered the trademarks and service marks of "COUNTRY GARDEN" in the form of English characters with the PRC Trademark Office under various categories including advertisement, business management and human resource management.

Zhongshan Country Garden Real Estate Development Co., Ltd. has registered the trademarks and service marks of "秀麗湖" in the form of Chinese characters with the PRC Trademark Office under various categories including realty leasing, realty agency and advertisement.

On March 27, 2007, Foshan Shunde Country Garden Property Development Co., Ltd entered into a trademark license agreement with each of Qingyuan Country Garden Property Development Co., Ltd. ("Qingyuan Country Garden Co.") Jun'an Golf Club Co. and our original shareholders to grant them a non-exclusive right to use the "碧桂園" and certain other trademarks and service marks in respect of their businesses which, apart from Qingyuan Country Garden Co.'s business, are services ancillary to the housing properties constructed by us. Qingyuan Country Garden Co. has also granted Holiday Islands Hotel Co., our wholly owned subsidiary, a non-exclusive right to use the trademarks and service marks of "假日半島 Holiday Islands" (with respect to which Qingyuan Country Garden Co. has applied to register as a trademark in the PRC) in its business operation pursuant to a trademark license agreement entered into between Qingyuan Country Garden and Holiday Islands Hotel Co. on March 27, 2007.

We also own the domain names "bgy.cn," "bgy.com.cn," "countrygarden.cn" and "countrygarden.com.cn." The information contained on our websites is not part of this offering memorandum.

Insurance

We maintain public liability and assets insurance policies for our properties, the common facilities and the hotel operating areas of our properties. In addition, we carry social insurance for our employees, and our property management subsidiaries also maintain property management liability insurance coverage in connection with their business operations. We do not, however, maintain insurance coverage for non-performance of contract during construction and other risks associated with construction and installation works during the construction period. Consistent with what we believe to be customary practice in the property development industry in China, we also do not maintain insurance against personal injuries or property damage that may occur during the construction of our properties, except that we carry accidental insurance (i.e., employer's liability insurance) against personal injuries that may occur to construction workers.

To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to follow during the construction process. We 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 it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe the terms of our insurance policies are in line with industry practice in the PRC. However, our insurance coverage may not be sufficient for losses and damages that may arise in

our business operations. See “Risk factors—Risks relating to our business—We do not have insurance to cover potential losses and claims in our operations” and “Regulation.”

Employees

As of December 31, 2018, we had approximately 131,387 full-time employees, and 1,328 of them hold a doctor degree. The following table provides a breakdown of our total employees by responsibilities as of December 31, 2018:

Property development (headquarters) ⁽¹⁾	3,678
Property development (regional) ⁽²⁾	41,559
Marketing and sales	58,280
Hotel	6,378
Construction and fitting management	9,320
Others	12,172
	131,387

Notes:

(1) Includes employees from cost management, procurement, strategy management, legal and compliance, finance management, engineering management, investment management, human resources management, operations, customer services, inspection and logistic personnel departments.

(2) Includes employees from our property development subsidiaries in different regions in China, in Malaysia, in Indonesia and in Australia where our operations are located.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, maternity insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

Environmental matters

We are subject to a variety of laws and regulations concerning environmental protection. See “Risk factors—Risks relating to our business—Potential liability for environmental problems could result in substantial costs.” As of the date of this offering memorandum, except as otherwise disclosed, we are not in material breach of any applicable environmental laws and regulations which has led to material penalties imposed by the environmental authorities and there are no existing material legal proceedings, arbitrations or administrative penalties against us.

Legal proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors, employees

and joint venture partners, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations. See "Risk factors—Risks relating to our business—We may be involved in legal, administrative and other disputes arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations from time to time and may face significant liabilities or damage our reputation as a result."

Regulation

Legal supervision relating to property sector in the PRC

A. Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Real Estate” (the “Urban Real Estate Law”) (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People’s Congress on July 5, 1994, effective in January 1995 and as amended on August 2007 and in August 2009, a property developer is defined as “an enterprise which engages in the development and sale of property for the purposes of making profits.” Under the “Regulations on Administration of Development of Urban Real Estate” (the “Development Regulations”) (城市房地產開發經營管理條例) which was promulgated by the State Council and became effective on July 20, 1998 and as amended on January 8, 2011 and March 19, 2018, a property development enterprise must satisfy the following requirements: (1) having a registered capital of not less than RMB1 million and (2) having four or more full-time professional property/construction technicians and two or more full-time accounting officers with the relevant qualifications. The Development Regulations also stipulate that people’s governments of the provinces, autonomous regions or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, applications for registration of a property development enterprise have to be submitted to the department of administration of industry and commerce. The applicant must file a record with the property development authority in the location of the registration authority within 30 days of the receipt of its business license.

In May 2009, the State Council issued a “Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets” (關於調整固定資產投資項目資本金比例的通知). The minimum internal capital ratio is 20% for ordinary commodity housing projects and affordable housing projects and 30% for other property projects.

In September 2015, the State Council issued a “Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets” (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

B. Foreign-invested real estate enterprises

Foreign-invested real estate enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the laws and administrative regulations relating to foreign-invested enterprises.

Under the Catalog of Guidance on Industries for Foreign Investment (2015 version) (the “Guidance Catalog”) (外商投資產業指導目錄) (2015年修訂) which was jointly promulgated by MOFCOM and NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf course and villas falls within the category of industries in which foreign investment is prohibited, construction and operation of large theme parks falls within the restricted category, and other real estate development falls within the category of industries in which foreign

investment is permitted. On June 28, 2017, MOFCOM and NDRC jointly issued the revised Guidance Catalog effective from July 28, 2017, according to which, foreign investment is permitted in the real estate development industry. On June 26, 2018, MOFCOM and NDRC jointly issued the "Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version)" (外商投資准入特別管理措施(負面清單)(2018年版)) effective from July 28, 2018.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market", or "Circular No. 171" (關於規範房地產市場外資准入和管理的意見). According to this circular, foreign investment in property markets must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China not for their own residential use shall follow the principle of commercial existence and apply for establishment of foreign-invested enterprises under the regulations of foreign investment in property. Foreign institutions and individuals can only carry on their business, pursuant to the approved business scope, after obtaining the approvals from relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested real estate development enterprise exceeds or equals US\$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US\$10 million, the amount of the registered capital shall follow the existing regulations.

(c) The commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of foreign-invested real estate enterprises and issuing approval certificates for foreign-invested enterprises and business licenses which are only effective for one year. After paying for the land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned approval certificates and business licenses. With the land use rights certificate, the enterprises will receive an official approval certificate for a foreign-invested enterprise from the commerce authorities, and shall replace the business license with one that has the same operational term as the formal approval certificate for foreign-invested enterprise in the department of administration of industry and commerce, and then apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should strictly follow the relevant laws, regulations and policies to obtain approvals. Foreign investors should submit: (i) the guarantee letters for the performance of the State-Owned Land Use Rights Grant Contracts, Construction Land Planning Permit and Construction Work Planning Permit; (ii) Certificate of Land Use Rights; (iii) the certification on alteration of archival files issued by construction authorities; and (iv) the certification on the payment of tax issued by the relevant tax authorities.

(e) When acquiring domestic real estate enterprises by way of share transfer or otherwise, or purchasing shares from Chinese parties in sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, settle the bank loans and pay the consideration in one single payment with its internal fund. Foreign investors with unsound financial track records shall not be allowed to conduct any of the aforementioned activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC,” (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) which stipulates the following requirements for the approval and supervision of foreign investment in the property sector:

- foreign investment in the PRC property sector relating to luxury properties should be strictly controlled;
- before obtaining approval for the establishment of property entities with foreign investment, (i) both the land use rights certificates and housing ownership rights certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;
- entities which have been set up with foreign investment, need to obtain approval before they expand their business operations into property development, and entities which have been set up for property development operations need to obtain new approval in order to expand their property business operations;
- acquisitions of property entities and foreign investment in the property sector by way of “round-trip” investment (返程投資) should be strictly regulated. Foreign-investors should not avoid approval procedures by changing actual controlling persons;
- parties to property entities with foreign investment, should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of property entities with foreign-investment, approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and
- for those property entities which are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigations and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On July 10, 2007, the General Affairs Department of SAFE issued the “Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have 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專案名單的通知) (“Notice No. 130”). This regulation restricts the ability of foreign-invested property companies to raise funds offshore for the purposes of injecting such funds into the companies either through a capital increase or by way of shareholder loans. Notice No. 130 was repealed in May 2013, but its restrictions have been stipulated by several other regulations as follows:

- SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange, submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007; and

- SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local government commerce departments on or after June 1, 2007 but that have not registered with MOFCOM.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, MOFCOM issued the “Notice Regarding Completing the Registration 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) (“Notice No. 23”). According to Notice No. 23, when a foreign-invested real estate enterprise is established or increases its registered capital, the provincial level MOFCOM is required to verify all records regarding such foreign-invested real estate enterprise. Notice No. 23 also requires that each foreign-invested real estate enterprise undertake only one approved property project.

Under the “Measures for the Administration of the Approval and Record Filing of Foreign Investment Projects” (外商投資項目核准和備案管理辦法) promulgated by NDRC on May 17, 2014 and enforced on June 17, 2014, and revised and enforced on December 27, 2014, NDRC is responsible for the approval of encouraged projects with a total investment (including capital increase) of US\$1,000 million and above, which are projects required to be controlled by a Chinese shareholder under the Guidance Catalog, and restricted projects (excluding real estate projects) with a total investment (including capital increase) of US\$100 million and above. Projects with a total investment (including capital increase) of US\$2,000 million and above shall be filed with the State Council. Provincial governments are responsible for the approval of real estate projects within the restricted category under the Guidance Catalog and other restricted projects with a total investment (including capital increase) of not more than US\$100 million. Local government is responsible for the approval of encouraged projects with a total investment (including capital increase) of not more than US\$1,000 million, which is required to be controlled (including relatively controlled) by a Chinese shareholder under the Guidance Catalog. On January 14, 2017, NDRC issued the “Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)” (關於做好貫徹落實《政府核准的投資項目目錄（2016年本）》有關外資工作的通知), according to which, 1) any project of the restricted category with a total investment (including capital increase) for US\$300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for US\$2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than US\$300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing.

On March 30, 2015, SAFE issued the “Notice on the Reform of the Administration of Foreign Exchange Registered Capital Settlement for Foreign-Invested Enterprises” (國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知) effective from June 1, 2015, under which a reform on the administration of foreign exchange capital settlement for foreign-invested enterprises is carried out in China and foreign-invested enterprises may make equity investments within China by utilizing the RMB funds converted from their foreign exchange registered capital. Besides the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment activities (including foreign

investment companies, foreign-invested venture capital enterprises and foreign-invested equity investment enterprises) are permitted to directly convert foreign capital funds into RMB funds or transfer the RMB funds converted from the foreign capital account to the bank account of the investee enterprise based on the actual investment scale on the premise that the domestic investment projects are authentic and in compliance. Equity investments within China remitted through equity transfer payments in the original foreign currency by general foreign-invested enterprises other than the above enterprises shall be governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China by using converted RMB funds, the investee enterprise shall first register this domestic reinvestment activity with the administration of the foreign exchange (bank) of its place of incorporation and open a corresponding RMB account for depositing the converted RMB funds. The foreign-invested enterprises shall then transfer the converted RMB funds into the RMB account of the investee enterprise based on the actual investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, SAFE issued the "Notice to Reform and Regulate the Administration Policies of Foreign Exchange Capital Settlement" (關於改革和規範資本項目結匯管理政策的通知) to further reform foreign exchange capital settlement nationwide.

On April 6, 2010, the State Council issued the "Opinions on Further Enhancing the Utilization of Foreign Investment" (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the "Catalog of Investment Projects Subject to Government Approvals" (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Guidance Catalog may be approved by local government authorities, provided that the total investment (including additional invested capital) for such project is no more than US\$300 million.

On May 4, 2010, NDRC issued the "Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects" (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Guideline Catalog shall be verified by NDRC at the provincial level, provided that such projects have a total investment (including additional invested capital) of no more than US\$300 million. In addition, the circular specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. According to the circular, the power to verify the projects within the restricted category under the Guideline Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the "Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment" (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, local authorities are granted the power to examine, approve and administrate the establishment and replacement of (i) foreign-invested enterprises which are within the encouraged and permitted categories under the Guidance Catalog and have a total investment of no more than US\$300 million, and (ii) foreign-invested enterprises which are within the restricted category under the Guidance Catalog and have a total investment of no more than US\$50 million.

On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法). On July 30, 2017 MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises. On February 28, 2018, MOFCOM and SAIC jointly issued the "Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form" (關於實行外商投資企業商務備案與工商登記"單一窗口、單一表格"受理有關工作的通知). Under such notice, since June 30, 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. On June 29, 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises which came into effect from June 30, 2018.

In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises. On June 24, 2014, the MOFCOM and the SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知), effective from August 1, 2014, to simplify the procedures of registration of foreign investment in real estate. On November 11, 2015, MOFCOM and SAFE jointly issued the "Circular on Further Improving the Record-filing for Foreign Investment in Real Estate" (關於進一步改進外商投資房地產備案工作的通知). According to this circular, the record-filing procedure has been cancelled.

On March 15, 2019, the National People's Congress of the PRC adopted the "Foreign Investment Law of the PRC" or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which will come into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China

- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide “pre-establishment national treatment and negative list” management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the “Special Administrative Measures (Negative List) for Foreign Investment Access.” According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

C. Qualifications of a property developer

(a) Classifications and assessment of a real estate development enterprise’s qualification

Under the “Provisions on Administration of Qualifications of Real Estate Developers” (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) promulgated by the Ministry of Construction in March 2000 and amended in May 2015, a property developer is required to apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise cannot engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Developers with class 1 qualification are subject to preliminary examination and approval by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval by the construction authority under the State Council. Procedures for approval of developers with class 2 or lower qualification 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. 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 receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business condition of the enterprise. Property developers are required to apply for a qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

(b) The business scope of a property developer

Under the Provisions on Administration of Qualifications, 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 a 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 its specific scope of business shall be as approved by the construction authority under the government of the relevant province, autonomous region or municipality.

(c) The annual inspection of a property developer's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer is required to be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual inspection of developers of a class 2 or lower qualification shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

D. Development of a property project

(a) Land for property development

Under the "Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-Owned Land in Urban Areas" (the "Interim Regulations on Assignment and Transfer") (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) promulgated and enforced by the State Council on May 19, 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user is required to pay a premium to the state as consideration for the grant of the land use rights within a certain term, and the land user can transfer, lease, mortgage or otherwise commercially use the land use rights within the term of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate law, the land administration authority under the local government of the relevant city or county is required to enter into a land grant contract with the land user for the grant of the land use rights. The land user is required to pay the land premium as provided for by the land grant contract. After payment in full of the land premium, the land user is required to register with the land administration authority and obtain a land use rights certificate evidencing the acquisition of land use rights. The Development Regulations provide that land use rights for a site intended for property development shall be obtained through government grant except for land use rights which may be obtained through allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the Assignment of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 11) (招標拍賣掛牌出讓國有土地使用權規定, 11號令) which were promulgated by the Ministry of Land and Resources on May 9, 2002 and became effective on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development is assigned by way of competitive bidding, public auction or listing-for-sale. The regulations were amended on September 28, 2007, and were renamed "Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale" (Regulation No. 39) (招標拍賣掛牌出讓國有建設用地使用權規定, 39號令). The general procedures for assignment of state-owned land use rights are as follows:

- (a) The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement

should include basic particulars such as land parcel, the qualification requirements of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(b) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

(c) After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder are then required to enter into a confirmation. The assignor should return the bidding or tender deposits to other bidding or auction applicants.

(d) The assignor and the winning tender or winning bidder are required to enter into a contract for the grant of state-owned land use rights according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use rights.

(e) The winning tender or winning bidder is required to apply for the land registration after paying off the land grant premium in accordance with the state-owned land use rights grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

According to the "Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market" (關於加強土地供應管理促進房地產市場持續健康發展的通知) enacted by the Ministry of Land and Resources on September 4, 2003, land use for luxurious commodity houses shall be stringently controlled and applications for land use for building villas will not be accepted. On May 30, 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land" (the "Urgent Notice") (關於當前進一步從嚴土地管理的緊急通知) stipulating that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale, development projects for villas are not be permitted, and all supply of land for such purposes and the handling of related land use procedure will be ceased from issuance date of the notice.

Under the Urgent Notice, the land authority should rigidly execute the "Model Text of the State-owned Land Use Rights Assignment Contract" (國有土地使用權出讓合同示範文本) and "Model Text of the State-Owned Land Use Rights Assignment Supplementary Agreement (for Trial Implementation)" (國有土地使用權出讓合同補充協議示範文本(試行)) jointly promulgated by the Ministry of Land and Resources and SAIC. The document of the land grant should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the land use rights grant contract. On April 29, 2008, the Ministry of Land and Resources and SAIC promulgated the revised "Model Text of the Rights to Use State-Owned Land for Construction Assignment Contract" (國有建設用地使用權出讓合同示範文本).

Under the "Regulations on the Assignment of the Rights to Use State-Owned Land for Construction through Competitive Bidding, Auction and Listing-for-Sale" (招標拍賣掛牌出讓國有建設用地使用權規定) which were promulgated by the Ministry of Land and Resource on September 28, 2007, and became effective on November 1, 2007, land for industrial

use (including land for warehouses but not land for mining), commercial use, tourism, entertainment and commodity housing development or more than two competing users on one piece of land is required to be assigned by way of competitive bidding, public auction or listing-for-sale. The assignee should obtain the land use rights certificate after paying off the total premium. The relevant land use rights certificates will not be issued prior to full payment of the appropriate land premium, and no land use rights certificates will be issued pro rata based on partial payment received.

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 to 50% of the total land premium and requires the land premium to be fully paid within one year of signing a land grant contract, subject to limited exceptions.

On March 8, 2010, the Ministry of Land and Resources promulgated the Circular on Strengthening Real Estate Land Supply and Supervision (the "Circular") (關於加強房地產用地供應和監管有關問題的通知). Under the Circular, price for a given land transfer is required to be at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum land premium. The Circular has made further strict provisions on land grant contract administration. The land grant contract shall be entered into within 10 working days after the land grant deal is closed, the down payment of 50% of the land premium (taking into account any deposits previously paid) shall be paid within one month as of the date of land grant contract, and the remaining shall be paid in accordance with provisions of the land grant contract within one year.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (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; in areas with high housing prices, 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 auctions 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' own reasons; (3) noncompliance 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 undeveloped land is prohibited.

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 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%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

On January 26, 2011, the State Council circulated “Notice on Further Regulating the Real Estate Market” (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), which provides for more stringent management of housing land supply, among other things, that participants or individuals bidding on any land unit shall show proof of funding sources.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011” (關於切實做好2011年城市住房用地管理和調控重點工作的通知) promulgated by the Ministry of Land and Resources in February 2011, construction for 10 million units of affordable housing units shall be implemented in 2011. It also requires that the target total supply of urban housing land shall not be lower than the annual average supply for the preceding two years.

According to the “Notice on Implementation Measures on Urban Housing Land Management and Regulation 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) promulgated by the Ministry of Land and Resources in February 2012, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding five years.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於印發〈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) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and plot ratio must be more than 1.0.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to improve the Regulation and Control of 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 requires, among other things, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 shall not be lower than the average actual land supply for the preceding five years.

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 April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the

examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

(b) Property project development

i. Commencement of a property project and the idle land

Under the Urban Real Estate Law, those which have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the land use rights assignment contract. On June 1, 2012, the Ministry of Land and Resources revised and promulgated the “Measure for the Disposal of Idle Land” (閒置土地處置辦法), which further clarified the scope and definition of idle land, as well as the corresponding punishment measures compared to the old version. Pursuant to the new Measure for the Disposal of Idle Land, under the following circumstances, a parcel of land shall be defined as “idle land”:

- any state-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use; and
- any state-owned land for construction use, of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by a competent department of land and resources, unless otherwise prescribed by the new Measure for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the land use right and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people’s government at the same level, issue a Decision on Taking Back the Right to Use the state-owned Land for Construction Use to the holder of the land use right.

On January 3, 2008, the State Council reiterated the abovementioned policies in the “Notice on Enhancing the Economical and Intensive Use of Land.” (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 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. On September 12, 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 idle land and to specify the control requirements of land use standards in relevant legal documents, including land use approvals and land grant contracts.

ii. Planning of a property project

According to the “Urban and Rural Planning Law of the People’s Republic of China (replacing the previous “City Planning Law of the People’s Republic of China” (中華人民共和國城市規劃法) since January 2008) (中華人民共和國城鄉規劃法), the “Administrative Measures on Planning of Grant and Transfer of Urban State-Owned Land Use Rights” (城市國有土地使用權出讓轉讓規劃管理辦法) which were promulgated by the Ministry of Construction on December 4, 1992 and became effective on January 1, 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Grant of State-Owned Land Use Rights” (關於加強國有土地使用權出讓規劃管理工作的通知) which was promulgated by the Ministry of Construction and became effective on December 26, 2002, after signing an assignment contract, a property developer shall apply for an Opinion on Construction Project’s Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements, and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents.

On January 21, 2011, the “Regulations on the Expropriation of Buildings on State-Owned Land and Compensation” (國有土地上房屋徵收與補償條例) was promulgated by the State Council, a summary of the important provisions is set forth below:

- Where a building of any entity or individual on state-owned land is expropriated for public interest, the owner of the expropriated building shall be fairly compensated;
- The people’s government at the city or county level shall publish in a timely manner the public opinions solicited and the amendments made according to the public opinions;
- Before making a decision on building expropriation, the people’s government at the city or county level shall make a social stability risk assessment according to the relevant provisions;

- The compensation granted to an owner by the people’s government at the city or county level which makes the building expropriation decision shall include:
 - (1) compensation for the value of the building expropriated;
 - (2) compensation for the relocation or temporary settlement resulting from the building expropriation; and
 - (3) compensation for the production or business interruption losses resulting from the building expropriation;
- The compensation for the value of the building expropriated shall not be less than the market price of real estate similar to the building expropriated on the date of announcement of the building expropriation decision;
- An owner may choose either monetary compensation or exchange of titles; and
- Compensation shall be made before relocation, and demolition and relocation with violence is prohibited.

iii. Construction of a property project

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the “Measure for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban-Rural Development on June 25, 2014 and effective from October 25, 2014 and as amended on September 19, 2018.

iv. Completion of a property project

According to the Development Regulation, the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) enacted and enforced by the State Council on January 30, 2000 and as amended on October 7, 2017, 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) enacted by the Ministry of Construction in April 2000 and amended on October 19, 2009 and the “Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建築和市政基礎設施工程竣工驗收規定) which were promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, after completion of work for a project, a property developer is required to apply for the acceptance examination to the property development authority under the people’s government on or above the county level and report details of the acceptance examination, upon which the “Record of acceptance examination upon project completion” is issued. For a housing estate or other building complex project, an acceptance examination is required to be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination is required to be carried out for each completed phase.

E. Property transactions

(a) Transfer of property

According to the Urban Real Estate Law and the “Provisions on Administration of Transfer of Urban Real Estate” (城市房地產轉讓管理規定) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer are required to enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; and (b) if development is to be carried out according to the assignment contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land use rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people’s government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(b) Sale of commodity properties

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法) which were promulgated by the Ministry of Construction on April 4, 2001 and became effective on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. Permit of Pre-Completion Sale of Commodity Properties

According to the Development Regulations and the “Measures for Administration of Pre-completion Sale of Commodity Properties” (the “Pre-completion Sale Measures”) (城市商品房預售管理辦法) enacted by the Ministry of Construction on November 15, 1994 and

revised on August 15, 2001 and July 20, 2004, the pre-completion sale of commodity properties is subject to a permit system, under which a property developer intending to sell a commodity building before its completion is required to make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building can only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the “Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province” (廣東省商品房預售管理條例) enacted by the Standing Committee of Guangdong Provincial People’s Congress on August 22, 1998 and revised on October 14, 2000, July 23, 2010 and September 25, 2014, and the “Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province” (關於調整商品房預售項目工程形象進度條件的通知) issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions are required to be fulfilled for the pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the topping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties, pre-completion sale project and its land use rights are free from any third party rights.

ii. Management of pre-completion sale proceeds of commodity properties

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

iii. Conditions of the sale of post-completion commodity properties

Under the “Regulatory Measures on the Sale of Commodity Properties,” commodity properties can may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion properties has an enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a land use rights certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities

and public facilities have been made ready for use, or the schedule for construction and delivery date thereof have been specified; and (g) the property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer is required to submit the Real Estate Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

iv. Regulations on sale of commodity properties

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity property, the developer is required to sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record the contract for pre-completion sale commodity property to the relevant administrative departments governing the property and land administration department of the city or country governments. The property administrative department is required to take the initiative to apply network information technology to gradually implement the web-based registration of pre-sale contracts.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 9, 2005, there are several regulations concerning commodity properties sales:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the property administration department shall not handle any transfer of the commodity building. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not record the application of real estate ownership.
- A real name system for house purchase should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts of commodity properties.

On April 13, 2010, the MOHURD issued the “Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity 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 the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

The “Provisions on Sales of Commodity Properties at Clearly Marked Price” (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency (“real estate

operators”) is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate to the public the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties. With respect to the real estate development projects that have received property pre-sale license or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales at once within the specified time limit. Furthermore, with regard to a property that has been sold, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the stated price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead property purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

(c) Mortgages of property

Under the Urban Real Estate Law and the “The Security Law of the People’s Republic of China” (中華人民共和國擔保法) which was promulgated by the Standing Committee of the National People’s Congress on June 30, 1995 and became effective on October 1, 1995, and the “Measures on the Administration of Mortgage of Buildings in Urban Areas” (城市房地產抵押管理辦法) which was promulgated by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor’s rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of the aforesaid law and regulation, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The obligation secured by a mortgagor shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor’s rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of state-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgagor and the mortgagee are required to sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage are required to register the mortgage with the property administration authority at the location where the property is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original real estate ownership certificate and then issue a Certificate of Third Party Rights to Real Estate to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after the issuance of the certificates evidencing the ownership of the property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature of use of land, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Changzhou, Shanghai, Beijing, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

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

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (i) a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

The people’s governments of certain cities, such as Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi’an, Changzhou, Shenyang and Dalian, had respectively promulgated local measures for restriction of housing purchases to implement the

Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知).

On February 26, 2013, the PRC government further adopted more strict policies to restrict properties purchase, including increasing down payment ratios and interest rates for loans to purchasers of second homes in cities where the housing price is growing excessively, and imposing individual income tax at a rate of 20% on the gains generated from the sale of a self-owned property.

(d) Lease of buildings

On December 1, 2010, the Ministry of Housing and Urban-Rural Development issued the “Administrative Measures for Commodity Housing Tenancy” (商品房屋租賃管理辦法), according to which, the parties to a housing tenancy are required to go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant construction (real estate) departments are authorized to impose a fine below RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other violators who are not natural persons who fail to comply with the regulations within the specified time limit. The above measures came into effect on February 1, 2011. On June 3, 2016, the General Office of the State Council issued the “Opinions on Accelerating the Cultivation and Development of Leasing Market” (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties. On July 18, 2017, MOHURD, NDRC and other government departments jointly released the “Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population” (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People’s Government promulgated the “Measures for the Administration on Houses with Joint Property Rights” (上海市共有產權保障住房管理辦法), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the “Interim Measures for the Administration of Houses with Joint Property Rights” (共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

F. Property financing

PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

- (a) The property loan by commercial banks to real estate enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extend such loans as a current capital loan for property development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the land use rights certificates, construction land permit, construction planning permit and construction work permit;
- (b) Commercial banks shall not grant loans to property developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains at 20%. In respect of his loan application for an additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the "Guidance on Risk Management of Property Loans of Commercial Banks" (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on September 2, 2004, any property developer applying for property development loans is required to have at least 35% of capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit," (中國人民銀行關於調整商業銀行住房信貸政策和超額儲備金存款利率的通知) enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment for individual homes increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council passed the "Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices." (關於調整住房供應結構穩定住房價格的意見) The regulations provide the following:

- (a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers which do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and revolving credit facilities in any form to the property developers who have a large number of idle land and unsold commodity properties. Banks should not accept mortgages of commodity properties remaining unsold for three years or longer;
- (b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment, except for apartments with a floor area of 90 sq.m. or less for residential purposes, for which the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in Real Estate Market, foreign-invested real estate enterprises which have not paid up their registered capital fully, or failed to obtain a land use rights certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments will not approve any settlement of foreign loans by such enterprises.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC” (關於進一步加強規範外商直接投資房地產業審批和監管的通知). On April 28, 2013, SAFE issued the “Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration” (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will not process any foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007.

On September 27, 2007, PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property,” (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 circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property as for own residence;
- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the family that buys another residential unit with loans from banks will be regarded as a second time home buyer;
- 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, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate, and (iv) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to property developers which have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use

rights certificates, construction land planning permits, construction works planning permits and 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, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on “Issues on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage 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) issued by PBOC on October 22, 2008 and effective on October 27, 2008, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

In January 2010, the General Office of the State Council issued a “Circular 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), adopting a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations 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 property, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), that has already purchased a residence through mortgage financing and has applied to purchase a second or additional residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council Issued 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) (the “April 17 Notice”), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) purchases a residence with a unit floor area of more than 90 sq.m. for self-use, the minimum down payment is required not to be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment is required to be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate published by PBOC; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof is required to be substantially further raised. The April 17 Notice, further requires that in cities where property prices are overly high with excessive price hike and strained housing supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further 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 year.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the “Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans” (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans is required to be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the “Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies” (關於完善差別化住房信貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China are required to suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties one family is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD and SAFE jointly promulgated the “Notice on Further Regulating Administration of Purchase of Houses 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), pursuant to which, a foreign individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation are not permitted to certifying payment of local tax or social security for longer than a specified time period, purchase any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve 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), pursuant to which, in cities where the housing price are increasing at an excessively high rate, the local counterparts of the PBOC may further increase 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. 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.

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 September 29, 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. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the "Notice on the Adjustment of Individual Housing Loans Policies" (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%.

G. Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" (中華人民共和國建築法) which was promulgated by the Standing Committee of the National People's Congress on November 1, 1997, and became effective on March 1, 1998), and which was subsequently amended on April 22, 2011 (with the amendments became effective on July 1, 2011), construction enterprises must maintain accident and casualty insurance for workers engaged in dangerous operations. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" (關於加強建築意外傷害保險工作的指導意見) promulgated by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasized the importance of insurance to cover accidental injury in construction work and put forward detailed guidance. The "Guidance on the Insurance of Accidental Injury in the Construction Work of Guangdong Province" (廣東省建築意外傷害保險工作導則) enacted by the construction department of Guangdong Province on September 8, 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. It further emphasizes that the persons who have already been insured for work-related injury insurances still need accidental injury insurance

when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects.

Construction companies are required to pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party's liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The requirements for insurance for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

H. Major taxes applicable to property developers

(a) Income tax

According to the "PRC Enterprise Income Tax Law" (中華人民共和國企業所得稅法) which was promulgated by the National People's Congress on March 16, 2007 and became effective on January 1, 2008 and as amended on February 24, 2017 and December 29, 2018 respectively, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, the PRC Enterprise Income Tax Law and its implementation provide that an income tax rate of 10% is generally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

(b) Business tax and value added tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" which was promulgated by the State Council on December 13, 1993 and became effective on January 1, 1994 as amended on November 10, 2008 and its "Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax" issued by the Ministry of Finance on December 25, 1993, the tax rate on transfer of immovable properties, their superstructures and attachments is 5%.

Pursuant to the "Notice on Adjustment of Transforming Business Tax to Value Added Tax" (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui[2016]No. 36) issued on March 23, 2016 and implemented on May 1, 2016 by the MOF and the SAT, the sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by a common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產項目增值稅徵收管理暫行辦法) issued on March 31, 2016 and implemented on May 1, 2016 and as amended on June 15, 2018 by SAT, "self-development" means infrastructure facilities and

buildings erected on the land with land use rights which are developed by a real estate development company (“taxpayer”). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of presale proceeds of real estate self-development in accordance with a given formula. The applicable rate is 11%. Nevertheless, for taxpayers 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 refer to (1) real estate projects with commencement dates of construction stated in the Construction Permits prior to April 30, 2016, and (2) construction projects with no commencement dates not stated in the Construction Permits, or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016, but have not yet received Construction Permits.

On November 19, 2017, the Interim Regulations of the People’s Republic of China on Business Tax was abolished and the Interim Regulations of the People’s Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations of the People’s Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax. According to a notice jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the value-added tax rate will be lowered from 17 percent to 16 percent for manufacturing and some other industries, and from 11 percent to 10 percent for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce.

(c) Land appreciation tax

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (the “Land Appreciation Provisional Regulations”) (中華人民共和國土地增值稅暫行條例) which was promulgated on December 13, 1993 and became effective on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Land Appreciation Tax” (the “Land Appreciation Detailed Implementation Rules”) (中華人民共和國土地增值稅暫行條例實施細則) which was promulgated and became effective on January 27, 1995, any appreciation gained from taxpayer’s transfer of property is subject to LAT. LAT is set at four different rates: 30% on appreciation not exceeding 50% of the sum of deductible items; 40% on appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on appreciation exceeding 200% of the sum of deductible items. The deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for development of land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by MOF.

According to the requirements of the Land Appreciation Provisional Regulations, the Land Appreciation Detailed Implementation Rules and the Notice issued by the MOF in respect of the "Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994" (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by the MOF and State Administration of Taxation on January 27, 1995, LAT is exempted under any one of the following circumstances:

- For ordinary standard residential properties (i.e. residential properties built in accordance with the local standard for general civilian residential properties and not deluxe apartments, villas, resorts etc.) where the appreciation amount does not exceed 20% of the sum of deductible items;
- Where property taken over and repossessed according to laws due to the construction requirements of the State;
- Individuals who relocate as a result of redeployment of work or improvement of living standards transfer their self-used residential property where they have been living for 5 years or more, and after obtaining tax authorities' approval;
- For property transfer contracts which were signed before January 1, 1994, whenever the properties are transferred;
- If the property assignment contracts were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred for the first time within five years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. For particular property projects approved by the Government for the development of the entire piece of land and long-term development, if the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the MOF and the State Administration of Taxation, the tax-free period would be appropriately prolonged.

After the issuance of the Land Appreciation Provisional Regulations and the Land Appreciation Detailed Implementation Rules, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the real estate enterprises to declare and pay LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the assignment contracts are signed, taxpayers should declare the tax to the local tax authorities where the property is located, and pay LAT in accordance in the amount calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation procedures, to build up a proper tax return system for LAT, and to improve the methods of

pre-levying for the pre-sale of property. That notice also pointed out the preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 or a project proposal that has been approved and for which capital was injected for development has expired, and that such tax shall be levied again.

The State Administration of Taxation issued the "Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax" (關於加強土地增值稅管理工作的通知) on August 2, 2004 and the "Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns" (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of LAT should be further strengthened. The preferential policy of LAT exemption for the first time transfer of properties under property development contracts signed before January 1, 1994 has expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to LAT should be further improved and perfected.

On March 2, 2006, the MOF and State Administration of Taxation issued the "Notice of Certain Issues Regarding Land Appreciation Tax." (關於土地增值稅若干問題的通知) The notice clarifies the relevant issues regarding LAT as follows:

(a) Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties

The notice sets out the recognized standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties or commercial properties, the value of land appreciation shall be assessed individually. No retroactive adjustment will be made in respect of ordinary standard residential properties for which application for tax exemption has been filed before the notice is issued and for which LAT exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people's government of the province, autonomous region or municipality directly under the Central Government.

(b) Advance Collection and Settlement of LAT

- All regions shall further improve the measures for the advance collection of LAT, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- If any tax pre-payment is not paid within the advance collection period, overdue fines will apply as of the day following the expiration of the prescribed advance collection period.
- As to any property project that has been completed and gone through the acceptance, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to conduct the settlement

of LAT on the transferred property according to the matching principles regarding the proportion between the income generated from the transfer of property and the deductible items. The specific method of settlement shall be prescribed by the local tax authority.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (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) which came into effect on February 1, 2007. The notice sets out further provisions concerning, among other things, the settlement of LAT by property developers by clarifying issues on responsibility for the settlement of LAT, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and the handling of transfer after tax is imposed and settled. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT is required to be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT is required to be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole in completed development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if either of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The notice also indicates that if a property developer satisfies any of the following circumstances, the tax authorities will levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain an account book as required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are disorganized or illegible, or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period without being remedied within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules in accordance with the notice and local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (土地增值稅清算管理規程), which became effective on June 1, 2009. The rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the aforesaid notice issued on December 28,

2006. The rules further stipulate detailed procedures for the examination and verification of settlement of LAT to be carried out by relevant tax authorities.

On May 19, 2010, the SAT issued the “Circular on Issuers Concerning 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 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.

On May 25, 2010, the SAT issued the “Notice on Strengthening the Collection Land Appreciation Tax” (關於加強土地增值稅徵管工作的通知), which requires the minimum LAT prepayment rate be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

(d) Deed tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) which were promulgated by the State Council on July 7, 1997 and became effective on October 1, 1997 and as amended on March 2, 2019, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3%–5%. Provincial, regional or municipal governments directly under the central government may, within the aforesaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Pursuant to the “Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions” (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions was adjusted downward as follows:

- (1) for an individual purchasing the only residential property for his/her household, the rate of deed tax was adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and
- (2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax was reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer’s household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are temporarily not subject to the above deed tax preferential treatment policies.

(e) Urban land use tax

Pursuant to the “Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Cities and Towns” (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on

September 27, 1988 and revised on December 31, 2006 and December 7, 2013, respectively, the land use tax in respect of urban land is levied according to the area of the relevant land. The annual tax as of January 1, 2007 shall be between RMB0.6 and RMB30.0 per square meter of urban land, calculated according to the tax rate determined by local tax authorities.

(f) Property tax

Under the “Interim Regulations of the People’s Republic of China on Property Tax” (中華人民共和國房產稅暫行條例) which were promulgated by the State Council on September 15, 1986 and became effective on October 1, 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.

On January 27, 2011, the government of Chongqing Municipality issued the “Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties” (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the “Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties” (重慶市個人住房房產稅徵收管理實施細則), each became effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 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 January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax at 0.5%, 1% or 1.2%, respectively, of the property’s purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax at 0.5% of the property’s purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for one family, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the “Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai” (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

(g) Stamp duty

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) enacted by the State Council on August 6, 1988 and enforced on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty is levied at RMB5 per item.

(h) Municipal maintenance tax

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the “Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals” (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the “Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises” (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax in current before December 1, 2010.

(i) Education surcharge

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax is required to pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas.” (國務院關於籌措農村學校辦學經費的通知) Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises and the Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign Invested Freightage Enterprises, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and individuals (關於統一內外資企業

和個人城市維護建設稅和教育費附加制度的通知), from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

I. Measures on adjusting the structure of housing supply and stabilizing housing price

The General Office of the State Council enacted the “Circular on Stabilizing Housing Price” (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market.

On May 9, 2005, the General Office of the State Council revised the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, which provides the following:

(a) Intensifying the planning and control and improving the supply structure of houses

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium- or low-price range and economical house should be increased. Land supply for villa construction continues to be suspended, and land supply for high-end housing property construction is strictly restricted.

(c) Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase is levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase is exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax is levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) Rectifying and regulating for an orderly market

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought that is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices" (關於調整住房供應結構穩定住房價格的意見) (the "Opinion") of the Ministry of Construction and other relevant government authorities. The opinion provides the following:

(1) Adjusting the Housing Supply Structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.
- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the central government, cities listed on state plans (計劃單列市) or provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(2) Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax is levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price.
- Commercial banks are not allowed to advance loan facilities to property developers which do not have the required 35% minimum of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.

- According to regulations issued by CBRC, purchasers of homes equal to or smaller than 90 sq.m. are required to pay a minimum of 20% of the purchase price as down payment. If the purchased home is larger than 90 sq.m., a minimum of 30% of the purchase price as down payment is required, pursuant to a regulation from June 1, 2006. Furthermore, on September 27, 2007 PBOC and CBRC increased the minimum down payment for purchasers of second homes from 30% to 40% of the purchase price regardless of the size of the second home, if the purchaser obtained his or her first home through a mortgage. Moreover, the mortgage loan rates for subsequent mortgages are required to be not less than 1.1 times the corresponding PBOC benchmark lending rates. Monthly mortgage payments are limited to 50% of an individual borrower's monthly income.
- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction will continue to be suspended, and land supply for low-density and large-area housing property construction will be restricted.
- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended construction work for one year without an approval, who have invested less than one-fourth of the total proposed investment and who have developed less than one-third of the total proposed construction area.

(3) Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt "excessive property growth triggered by passive means" (被動性住房需求的過快增長).

(4) Further Rectifying and Regulating the Order of the Property Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit (規劃許可證), construction permit (施工許可證) or permit for pre-sale of commodity properties (商品房預售許可證) are issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law.

- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions is prohibited and an administrative penalty will be imposed on offenders in accordance with the law. For property developers which deliberately manipulate the supply of commodity housing, the relevant authorities will impose substantial administrative penalties, including revoking the business licenses of serious offenders and pursuing personal liability for individuals concerned.

(5) Gradually relieving the housing demands for low-income families

- To expedite the establishment of low-cost public housing supply systems in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(6) Improving information disclosure system and system for collecting property statistics

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang 2006 No. 165) (關於落實新建住房結構比例要求的若干意見) (“the Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities, including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.
- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a planning permit. If the property developer has not followed the requirements of the planning permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a construction permit, and the property authority will not issue a permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment a property purchase must make before seeking mortgage financing. See “—Legal supervision relating to property sector in the PRC—F. Property financing.”

(e) Implementing restrictions on the payment terms for land use rights

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which reiterated 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 or commence development on the land, effective on November 1, 2007.

Pursuant to the notice on Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans, the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment of residential properties was lowered to 20%.

On December 20, 2008, 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) which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax is imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to “low-to medium-level price” or “small- to medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the “Notice on Further Strengthening Regulation and Control of Real Property Markets” (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a new “Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties” (關於調整個人住房轉讓營業稅政策的通知), 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 five years from such individual owner’s purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner’s purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner’s purchase. This notice became effective on January 28, 2011.

On February 26, 2013, the General Office of the State Council issued the “Notice on Continuing to Improve 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 among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity

properties and second-hand properties located within the entire administrative area of the city in question; (ii) for those cities with excessive growth in housing prices, the local counterparts of the PBOC may further increase 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; (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration.

On November 24, 2014, the State Council promulgated the Interim Regulations on Real Estate Registration (不動產登記暫行條例), effective from March 1, 2015, which provides for the following, among others:

i) the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guidance and supervision by the competent real estate registration authority at the higher level;

ii) the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition and ownership conditions of the real estate, and restriction of rights;

iii) the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform 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; and

iv) any right holder or interested party may inquire about or copy the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purposes and no such information may be disclosed to the public or others without the consent of the right holder.

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 January 1, 2016, authorizes the real estate registration authority to perform a site inspection following an acceptance of the application for real estate registration and sets out regulations regarding real estate registration information management.

On August 27, 2015, the MOHURD, the MOF and 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) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

On February 1, 2016, the PBOC and CBRC jointly issued the “Notice on the Adjustment of Individual Housing Loans Policies” (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On October 10, 2016, the MOHURD issued the “Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order” (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations.

On February 13, 2017, the Asset Management Association of China issued the “No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions” (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

On May 19, 2018, MOHURD issued the “Notice on Issues of Further Do Good Job of the Regulation of the Real Estate Market” (關於進一步做好房地產市場調控工作有關問題的通知), which requires the local governments to formulate the residential property development plan according to their respective social development level, supply and demand of residential property and local population. According to the notice, certain cities shall increase the land supply for residential properties.

Legal supervision relating to hotel sector in the PRC

A. Foreign invested hotel project

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), construction and operation of hotels does not fall within the negative list.” A foreign-invested enterprise investing in the hotel business can set up an enterprise in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

B. Hotel management

The procedures involved in hotel construction in China including obtaining approval for land use, project planning and project construction shall also be subject to the aforementioned regulations

relating to property project development. There is currently no special authority in China responsible for the daily management of hotel business. The supervision of daily management of hotel business belongs to different authorities in accordance with the respective business scopes of different hotels. The supervision mainly includes the following:

(a) Legal 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 People’s Republic of China, enforced on November 10, 1987 and as amended on January 8, 2011, a hotel can operate only after obtaining an approval from the local public security bureau and a business license has been granted. The hotel enterprise should make a filing with the local public security bureau and its branches in the county or city, if hotel enterprise has any change including closing, transferring or merging of business, changing place of business and name, etc. 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) which were promulgated by the Ministry of Public Security on November 14, 2001 and became effective on May 1, 2002, hotels (or motels) are units which require special supervision on 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.

(b) Supervision on public health

According to relevant regulations and rules in relation to public health, hotels fall in the scope of public health supervision. The operating enterprise should acquire the sanitation license. The measures for granting and managing the sanitation license are formulated by public health authority of province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

(c) Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

(d) Supervision on entertainment

According to the “Regulation on the Administration of Entertainment Venues” (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and enforced on March 1, 2006 and as amended on February 6, 2016, hotels that operate singing, dancing and game places for profits are required to apply to the relevant local competent departments for culture administration for entertainment commercial operation approval. The relevant local competent departments for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venues according to the prescriptions set down by the competent department governing entertainment administrations

under the State Council if it approves the relevant local application. According to the regulations concerning broadcast, movie and TV, hotels above three-star or the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

(e) Supervision on disposition of sewage and pollutants

According to Decision on Setting Administrative Licensing on Items Requiring Administrative Approval that Really Need Reserved (國務院對確需保留的行政審批項目設定行政許可的決定) enacted by the State Council on June 29, 2004, effective on July 1, 2004 and as amended on January 29, 2009, hotels that have been using or planning to use the city sewage system for water drainage are required to apply to the local city construction authority for a city water-draining permit.

(f) Supervision on special equipment security

Equipment such as elevators (lifts or escalators), boilers and pressure containers, are special equipment. According to the "Regulations on Security Supervisal of Special Equipment" (特種設備安全監察條例) which were promulgated by the State Council on March 11, 2003 and became effective on June 1, 2003, as amended on January 24, 2009, hotels are required to register with the special equipment security supervision authority of municipal government or city which has set up districts, and are required to apply for inspection regularly with the special equipment examination institution a month before the expiration of security examination according to the requirement of regular examination by technical security standard.

(g) Supervision on sale of tobacco and alcohol

According to law and regulations in relation to sale of tobacco, hotels that sell tobacco should apply to the tobacco monopoly administration for a Tobacco Monopoly Retail License. According to the Guidance Catalog a foreign-invested enterprise that operates wholesale and retail is not allowed to operate in tobacco business. According to the "Food Safety Law of the PRC" (中華人民共和國食品安全法), a licensing system will be implemented for the food production and trading. Any enterprise which engages in food production, food selling (including the sale of alcohol) or catering services shall obtain the license from the competent food and drug administration authorities.

Legal supervision relating to property management sector in the PRC

A. Foreign-invested real estate management enterprises

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), property management does not fall within the negative list. According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) and the relevant requirements under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a sino-foreign equity joint venture, a sino-foreign cooperative joint venture or a wholly foreign owned enterprise.

B. Qualifications of a real estate management enterprise

According to the “Regulation on Real Estate Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the “Measures for Administration of Qualifications of Real Estate Service Enterprises” (物業服務企業資質管理辦法) which were promulgated by the Ministry of Construction on March 17, 2004 and became effective on May 1, 2004, as amended on November 26, 2007, a newly established real estate service enterprise is required to, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the central government for a grading assessment. The departments of qualification examination and approval will check and issue a “real estate service qualification certificate” corresponding to their grading assessment results. On March 8, 2018, the Measures for Administration of Qualifications of Real Estate Service Enterprises were abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property service enterprises.

C. Employment of a real estate service enterprise

According to the Regulation on Real Estate Management, owners may engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building. If, before the formal employment of a property management company by the owners or the general meeting, the property developer shall enter into a preparation stage property services contract in writing with the real estate management enterprise.

Legal supervision relating to construction sector in the PRC

A. Foreign-invested construction enterprise

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version), construction business does not fall within the negative list.

B. The qualification of a construction enterprise

According to Construction Law of the PRC and the “Provisions on the Administration of Qualifications of Enterprises in Construction Industry” (建築業企業資質管理規定), which was promulgated by the MOHURD on January 22, 2015 and became effective on March 1, 2015 and as amended on September 13, 2016 and December 13, 2018 respectively, and other relevant regulations, the enterprises in the construction industry shall be classified into different qualification classes pursuant to, amongst other things, the amount of its net asset value, professional personnel, technical equipment and performance records of completed construction works. A construction enterprise can engage in construction activities within its approved scope after obtaining the construction qualification certificate.

According to above-mentioned Provisions on the Administration of Qualifications of Enterprises in Construction Industry, the qualifications will be divided into three categories, namely, that for undertaking the whole of a construction project, that for undertaking a specialized contract and that for undertaking a labor service by subcontract. The categories of qualifications for

undertaking the whole of a construction project, undertaking a specialized contract and undertaking a labor service by subcontract are divided into several qualification types according to the nature of the project and technical features. Each qualification type is further divided into several classes according to the prescribed conditions.

The department in charge of construction under the State Council is responsible for the approval of the qualification of special class or first class enterprises for undertaking the whole of a construction project, the second class enterprises for undertaking the whole of a railway construction project, the qualification of the first class enterprises in highways, water carriage, water resources, railway, and airline industry and the second class enterprises in railway or airline for undertaking the specialized contract, and the qualification of first class enterprises for undertaking the specialized contract involving several specialties. The administrative department in charge of construction of the relevant provincial, autonomous regional or municipal government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the second class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking the whole of a railway or communication engineering construction project, the first and second class enterprises for undertaking a specialized contract, the third class enterprises for undertaking a specialized contract in railway as well as qualification for undertaking a specialized contract for special projects, except for those required to be approved by the department in charge of construction under the State Council. The administrative department in charge of construction of the relevant city government at the place where the concerned enterprise is registered is responsible for the approval of the qualification of the third class enterprises for undertaking the whole of a construction project, the third class enterprises for undertaking a specialized contract, qualification for undertaking a specialized contract in respect of premixed concrete and formwork scaffolds, the qualification of an enterprise of labor service by subcontract or gas appliance installation and repair, except for those required to be approved by the department in charge of construction under the State Council or at the provincial level.

According to the "Measures of the Ministry of Construction for the Implementation of the Relevant Qualification Administration Provided in the Provisions on the Administration of Foreign Funded Construction Enterprises" enacted by the Ministry of Construction and enforced on April 8, 2003, where a foreign enterprise purchases a domestic-funded construction enterprise, and the enterprise is restructured into a foreign-funded construction enterprise, the qualification of that enterprise is reviewed anew according to the standard it actually meets.

According to the Regulation on the Quality Management of Construction Projects an enterprise which undertakes a project without obtaining the qualification certificate for enterprises in the construction industry shall be banned, and be imposed a fine of 2% to 4% of the contractual price of the project. If it obtains any illegal proceeds, such proceeds shall be confiscated.

C. The business scope of qualifications for a wholly foreign owned construction enterprise

According to the Regulations on the Administration of Foreign-invested Construction Enterprise, a wholly foreign owned construction enterprise is allowed to contract, within its scope of qualifications, the following projects: (a) a project that is to be constructed totally with the investment of a foreign country or the donation of a foreign country or the investment and donation of a foreign country; (b) a project funded by an international financial institution or

granted through international bidding according to terms of loan; (c) a joint construction project of which foreign investment holds 50% or more, and a sino-foreign joint construction enterprise in which foreign investment holds less than 50% but which cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and has been approved by the administrative department of construction of the relevant provincial, regional or municipal government; and (d) a construction project using Chinese investment but that cannot be independently implemented by any Chinese construction enterprise due to technical difficulties and for which the administrative department of construction of the relevant provincial, regional or municipal government has approved being jointly contracted by Chinese and foreign construction enterprises.

Regulation on foreign exchange registration of offshore investment by PRC residents

In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the Notice Regarding Certain Issues on the Foreign Exchange Administration on the Offshore Investment and Financing and Round-trip Investment by PRC Residents through 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), or Circular No. 37.

Circular No. 37 and other SAFE rules require PRC residents, including both legal and natural persons, to register with the local banks before making capital contribution to any company outside of China (an “offshore SPV”) with onshore or offshore assets and equity interests legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its registration with the local banks with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by individual PRC resident, merger, division and with respect to the individual PRC resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the individual PRC resident. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, payment of dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

On December 26, 2017, NDRC issued the “Administrative Measures for the Outbound Investment of Enterprises” (企業境外投資管理辦法), or the Measures, effective from March 1, 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of US\$300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis. On January 31, 2018, NDRC issued the “Catalogue of Sensitive Outbound Investment Industry (2018 Version)” (境外投資敏感行業目錄(2018年版)), effective from March 1, 2018.

Under the catalogue, enterprises shall be restricted from making outbound investments in certain industries including without limitation to real estate and hotel.

Foreign Debt Administration of NDRC

On September 14, 2015, the NDRC issued the NDRC Notice which came into effect on the same date. According to the NDRC Notice, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On May 11, 2018, the NDRC and the MOF jointly issued the “Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt” (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) which reiterated the regulatory administration of foreign debt. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from offshore bond offerings by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises.

Management

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering memorandum.

Name	Age	Title
Mr. Yeung Kwok Keung	64	Chairman and Executive Director
Ms. Yang Huiyan	37	Co-Chairman and Executive Director
Mr. Mo Bin	52	President and Executive Director
Ms. Yang Ziyang	31	Executive Director
Mr. Yang Zhicheng	45	Executive Director
Mr. Song Jun	51	Executive Director
Mr. Liang Guokun	60	Executive Director
Mr. Su Baiyuan	53	Executive Director
Mr. Chen Chong	40	Non-Executive Director
Mr. Lai Ming, Joseph	74	Independent Non-Executive Director
Mr. Shek Lai Him, Abraham	73	Independent Non-Executive Director
Mr. Tong Wui Tung	68	Independent Non-Executive Director
Mr. Huang Hongyan	48	Independent Non-Executive Director
Mr. Yeung Kwok On	57	Independent Non-Executive Director
Mr. Cheng Guangyu	38	Vice President
Mr. Chen Bin	49	Vice President
Mr. Wang Shaojun	53	Vice President
Ms. Wu Bijun	45	Vice President and Chief Financial Officer
Mr. Peng Zhibin	45	Vice President
Ms. Yang Cuilong	47	Vice President
Ms. Yang Lixing	48	Vice President
Mr. Huang Yuzang	43	Vice President
Mr. Liu Ning	51	Vice President

Directors

Our board currently consists of 14 directors, five of whom are independent non-executive directors. Mr. Mo Bin was appointed as our president and executive director in July 2010. Ms. Yang Ziyang was appointed as our executive director in May 2011. Mr. Huang Hongyan was appointed as our independent non-executive director in December 2012. Mr. Song Jun and Mr. Liang Guokun were appointed as our executive directors in May 2013. Mr. Su Baiyuan was appointed as our executive director in December 2013. Mr. Yeung Kwok On was appointed as our independent non-executive director in April 2014. Mr. Chen Chong was appointed as our non-executive director in December 2016. All the remaining directors were appointed in December 2006.

Executive directors

Yeung Kwok Keung (楊國強), aged 64, was appointed as our chairman and an executive director in December 2006. Mr. Yeung is also the chairman of our nomination committee, corporate governance committee and executive committee, a member of our remuneration committee and a director of various members of our Group. Mr. Yeung is responsible for the formulation of development strategies, investment planning and overall project planning as well as ensuring the board functions properly with good corporate governance practice. From 1992 to 1997, Mr. Yeung was the general manager of Shunde Sanhe Property Development Co., Ltd. (順德市三和物業發展有限公司) (“Shunde Sanhe Co.”), the real estate business in which Mr. Yeung was engaged in before he founded our Group. From 1986 to 1997, Mr. Yeung served as the general manager and the chairman of Shunde Beijiao Construction Company Limited (順德市北滘建築工程有限公司) (“Beijiao Construction Co.”) and also served as our general manager of our Group from 1997 to 2003. He has been the chairman of our board since our Company was listed in 2007. Mr. Yeung has over 41 years of experience in construction and over 27 years of experience in property development. Mr. Yeung was awarded “China Charity Outstanding Contributions Person” and “Top Ten Contributions Persons to China Real Estate” in 2009, “China Real Estate Entrepreneur Charity Award” and “Person of China Real Estate” in 2010, “Individual under Non-collectively Own Category for Helping Poverty in Guangdong” in 2011, “2012 China Corporate Social Responsibility Award for Outstanding Entrepreneur” in 2012, “National Outstanding Individual for Poverty Relief” Honorable Mention in 2014, “2015 China Poverty Eradication Award” in 2015, as well as “China Charity Award-The Most Caring Contributing Individual” and “National Contribution Award for Poverty Relief” in 2016. Mr. Yeung is a member of the 12th and 13th National Committee of the Chinese People’s Political Consultative Conference, the Honorary President of Guangdong Foundation for Poverty Alleviation and The Honorable Director of Tsinghua University. Mr. Yeung is the father of Ms. Yang Huiyan, our co-chairman, executive director and controlling shareholder; the father of Ms. Yang Ziying, our executive director; the uncle of Mr. Yang Zhicheng, our executive director; and the father-in-law of Mr. Chen Chong, our non-executive director.

Yang Huiyan (楊惠妍), aged 37, was appointed as our executive director in December 2006, our vice chairman in March 2012 and was re-designated from a vice chairman to a co-chairman in December 2018. Ms. Yang is also a member of our corporate governance committee, executive committee and finance committee and a director of various members of our Group. Ms. Yang graduated from Ohio State University with a bachelor degree in marketing and logistics. Ms. Yang joined us in 2005 and served as the manager of our procurement department. Currently, she is primarily responsible for assisting Mr. Yeung Kwok Keung, the chairman of the Company, in the day-to-day work of the Group, and responsible for the Group’s strategic investments and new business exploration based on the existing business, such as new retail business, contributing to the Company’s sustainable development. Ms. YANG was appointed as a director and the chairperson of the board of Bright Scholar Education Holdings Limited, a company whose shares are listed on The New York Stock Exchange, in February and April 2017 respectively, and as the chairman and a non-executive director of Country Garden Services Holdings Company Limited (“CG Services”), a company whose shares are listed on the Hong Kong Stock Exchange, in March 2018. Ms. Yang was awarded “China Charity Award Special Contribution Award” in 2008. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, our chairman and executive director; the sister of Ms. Yang Ziying and a cousin of Mr. Yang Zhicheng, both being our executive directors; and the wife of Mr. Chen Chong, our non-executive director.

Mo Bin (莫斌), aged 52, was appointed as our president and executive director in July 2010. Mr. Mo is also a member of our remuneration committee, corporate governance committee, executive committee and finance committee and a director of several members of our Group. Mr. Mo graduated from Hengyang Institute of Technology (currently known as University of South China) with a bachelor degree in industrial and civil architecture. He obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Mr. Mo is primarily responsible for the management of our daily operation and general administration. Prior to joining us, Mr. Mo was employed by an internationally competitive construction and property group in Mainland China, China State Construction Engineering Corporation, in a number of senior positions since 1989, most recently as a director and general manager of China Construction Fifth Engineering Division Corp., Ltd. (“China Construction Fifth Division”). Mr. Mo was appointed as a non-executive director of E-House (China) Enterprises Holdings Limited, a company whose shares are listed on the Hong Kong Stock Exchange, in March 2018. Mr. Mo has over 29 years of extensive experience in property development, construction business, construction management, marketing, cost control and corporate management.

Yang Ziyang (楊子瑩), aged 31, was appointed as our executive director in May 2011. Ms. Yang is also a member of our executive committee, the finance committee (appointment effective from March 20, 2018) and a director of various members of our Group. Ms. Yang graduated from Ohio State University with a bachelor degree in psychology. Ms. Yang joined us in 2008 as an assistant to the chairman. Currently, she is primarily responsible for overseeing our finance of our Group, including offshore and onshore financing. Prior to joining us, Ms. Yang worked in a renowned global investment bank. Ms. Yang is the daughter of Mr. Yeung Kwok Keung, our chairman and executive director; the sister of Ms. Yang Huiyan, our co-chairman, executive director and controlling shareholder; a cousin of Mr. Yang Zhicheng, our executive director; and a sister-in-law of Mr. Chen Chong, our non-executive director.

Yang Zhicheng (楊志成), aged 45, was appointed as our executive director in December 2006, our regional president of our Group, a member of our executive committee and finance committee. Mr. Yang is primarily responsible for the overall development and management of our certain property development projects of our Group. Prior to joining us in 1997, Mr. Yang served as a project manager of Shunde Sanhe Co. and the general manager of Foshan Shunde Jun’an Country Garden Property Development Co., Ltd.. After joining us, he served as our project general manager and was appointed as a vice president in November 2017. Mr. Yang was appointed as a non-executive director of CG Services in March 2018. Mr. Yang has approximately 25 years of experience in project development. Mr. Yang is a nephew of Mr. Yeung Kwok Keung, our chairman and executive director; a cousin of Ms. Yang Huiyan, our co-chairman, executive director and controlling shareholder; a cousin of Ms. Yang Ziyang, our executive director; and a cousin-in-law of Mr. Chen Chong, our non-executive director.

Song Jun (宋軍), aged 51, was appointed as our executive director in May 2013. Mr. Song graduated from Chongqing College of Construction and Architecture (currently known as Chongqing University) with a bachelor degree in engineering and is a qualified PRC architect. Prior to joining us in 1994, Mr. Song worked in Hunan Province Jishou City Construction Institute and Guangdong Elite Architectural Co., Ltd. (“Elite Architectural”) and was responsible for architectural design work. Since 1997, he has been serving as a project manager and a general manager of Foshan Shunde Country Garden Property Development Co., Ltd. and Guangzhou Country Garden Company, and has been serving as our vice president since 2005, and has been

responsible for the management of our property project development. Currently, Mr. Song is responsible for the overall operation, management and sustainable development of our property projects of our Group in certain regions. Mr. Song has 22 years of experience in the management of property development.

Liang Guokun (梁國坤), aged 60, was appointed as our executive director in May 2013. Mr. Liang is primarily responsible for our landscape design and gardening system management and supervision. Prior to joining us in 1999, Mr. Liang worked in Chung Shan Hot Spring Golf Club from 1985 to 1994. He also worked in Dongguan Yin Li Golf Club, Shenzhen Mission Hills Golf Club and Shenzhen Longgang Green Club (currently known as Citic Green Golf Club) in a number of senior positions, from 1994 to 1999. Mr. Liang has been serving as our vice president since 2011. Mr. Liang has 34 years of experience in golf course design management and landscape design management.

Su Baiyuan (蘇柏垣), aged 53, was appointed as our executive director in December 2013. Mr. Su graduated from Guangzhou Normal Institute (currently known as Guangzhou University), with a degree in geography and obtained a postgraduate degree in human geography from Sun Yat-sen University. Prior to joining us in 2005, Mr. Su had over 10 years of experience in land planning and development as well as operational management. Mr. Su was our vice president until February 2013, and was primarily responsible for investment development and the overall management of our certain property development projects of our Group. Mr. Su was re-appointed as a vice president in November 2013. Currently, Mr. Su is primarily responsible for overseas development and the management of our certain overseas property development projects of our Group.

Non-executive director

Chen Chong (陳翀), aged 40, was appointed as our non-executive director in December 2016. Mr. Chen graduated from Tsinghua University with a bachelor of science in chemistry. He also obtained a master of science in biological sciences research from Royal Holloway and Bedford New College, University of London. In 2015, Mr. Chen was appointed as the first president of the Overseas Study Youth Association of Guangdong Province. Mr. Chen is a member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and the President of Guoqiang Public Welfare Foundation of Guangdong Province. Mr. Chen is the son-in-law of Mr. Yeung Kwok Keung, our chairman and executive director; the husband of Ms. Yang Huiyan, our co-chairman and executive director and controlling shareholder; a brother-in-law of Ms. Yang Ziyang, our executive director; and a cousin-in-law of Mr. Yang Zhicheng, our executive director.

Independent non-executive directors

Lai Ming, Joseph (黎明), aged 74, was appointed as our independent non-executive director in December 2006 and is currently the chairman of our audit committee and a member of our remuneration committee and nomination committee. Mr. Lai is a fellow member of Hong Kong Institute of Certified Public Accountants ("HKICPA"), CPA Australia, the Chartered Institute of Management Accountants ("CIMA") and the Hong Kong Institute of Directors. Mr. Lai was one of the co-founders of the Hong Kong Branch of CIMA founded in 1973 and was its president in 1974/75 and 1979/80. He was the president of the HKICPA in 1986. Mr. Lai is an independent non-executive director of Jolimark Holdings Limited and retired as an independent non-executive

director of Guangzhou R&F Properties Co., Ltd. on May 19, 2017, both of which are companies whose shares are listed on the Hong Kong Stock Exchange. Mr. Lai also holds directorships in several private companies engaging in property development in Canada. He is also an independent non-executive director of Nan Fung Group Holdings Limited.

Shek Lai Him, Abraham (石禮謙) G.B.S., S.B.S., J.P., aged 73, was appointed as our independent non-executive director in December 2006 and is currently a member of our audit committee and remuneration committee. Mr. Shek graduated from the University of Sydney and holds a bachelor of Arts degree and a diploma in Education. Mr. Shek was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the Government of the HKSAR in 2007 and 2013 respectively. Mr. Shek is a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency, a member of the Court of Hong Kong University of Science and Technology, a member of Court and Council of University of Hong Kong and a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption. Mr. Shek is an independent non-executive director of Lifestyle International Holdings Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, MTR Corporation Limited, SJM Holdings Limited, Paliburg Holdings Limited, Lai Fung Holdings Limited, Chuang's Consortium International Limited, China Resources Cement Holdings Limited and Cosmopolitan International Holdings Limited, the vice chairman and an independent non-executive director of ITC Properties Group Limited, the chairman and independent non-executive director of Chuang's China Investments Limited, and independent non-executive director of Goldin Financial Holdings Limited, and independent non-executive director of Everbright Grand China Assets Limited with effect from January 16, 2018 and of CSI Properties Limited with effect from July 20, 2018, all of which are companies whose shares are listed on the Hong Kong Stock Exchange, and as a non-executive director of Helenbergh China Holdings Limited with effect from September 21, 2018, whose shares are under application of listing on the Hong Kong Stock Exchange, as well as a non-executive director of Mandatory Provident Fund Schemes Authority. Mr. Shek is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), both trusts are listed on the Hong Kong Stock Exchange. Mr. Shek ceased to be an independent non-executive director of TUS International Limited (formerly known as Jinheng Automotive Safety Technology Holdings Limited) with effect from January 6, 2017, of ITC Corporation Limited with effect from March 28, 2017, and of Midas International Holdings Limited with effect from January 26, 2018, all of which are companies whose shares are listed on the Hong Kong Stock Exchange, and of Dorsett Hospitality International Limited with effect from March 11, 2016, whose shares had been withdrawn from listing on the Hong Kong Stock Exchange since October 16, 2015 and a non-executive director of The Hong Kong Mortgage Corporation Limited since April 25, 2016.

Tong Wui Tung (唐滙棟), aged 68, was appointed as our independent non-executive director in December 2006. He is the chairman of our remuneration committee and a member of our audit committee and nomination committee. Mr. Tong has been practicing as a solicitor in Hong Kong for over 30 years and is a partner of the law firm, Messrs. Cheung, Tong & Rosa Solicitors. He is also a Notary Public and a China Appointed Attesting Officer, and is admitted as a solicitor in several other jurisdictions. Mr. Tong has ceased to be a non-executive director of Yip's Chemical Holdings Limited with effect from June 5, 2018, a company whose shares are listed on the Stock Exchange.

Huang Hongyan (黃洪燕), aged 48, was appointed as our independent non-executive director in December 2012 and is a member of our audit committee, remuneration committee and nomination committee. Mr. Huang graduated from the Department of Finance, the School of Economics of Jinan University and holds a bachelor of International Finance degree, and is also qualified as a Chinese certified public accountant, a Chinese certified tax agent, a Chinese certified public valuer, a certified internal auditor and a corporate accountant. Currently, Mr. Huang serves as a general manager of Foshan Yestar Consulting Co., Ltd.. Mr. Huang is an independent non-executive director of C&S Paper Co., Ltd. and an independent director of Guangdong Transtek Medical Electronics Co., Ltd. since June 5, 2013 whose shares are listed on the Shenzhen Stock Exchange.

Yeung Kwok On (楊國安), aged 57, was appointed as our independent non-executive director on April 1, 2014. Mr. Yeung obtained his doctoral degree in Strategic Human Resource Management at the University of Michigan in 1990 and a master degree in Management at the University of Hong Kong (香港大學) (Faculty of Social Sciences) in 1986. Mr. Yeung is a senior management advisor of Tencent Group, president of Y-Triangle Organizational Learning Oasis, and adjunct management professor at China Europe International Business School. Mr. Yeung served as the chief human resources officer of Acer Group from early 1999 to June 2002. He was also an independent non-executive director of Trina Solar Limited, a company whose shares had been withdrawn from listing on the New York Stock Exchange since March 13, 2017. Currently, Mr. Yeung serves as an independent non-executive director of SITC International Holdings Company Limited, a company whose shares are listed on the Hong Kong Stock Exchange, and a director of Saurer Intelligent Technology Co. Ltd. since May 21, 2018, a company whose shares are listed on the Shanghai Stock Exchange.

Chief financial officer

Wu Bijun (伍碧君), aged 45, was appointed as our vice president and our chief financial officer in April 2014 and April 2017 respectively. Ms. Wu is also the chairman of our finance committee. See “—Senior management—Wu Bijun” below.

Senior management

Cheng Guangyu (程光煜), aged 38, was appointed as an executive vice president in August 2018. Mr. Cheng graduated from Tsinghua University with a bachelor’s and doctoral degree in civil engineering in 2002 and 2007 respectively, and from Guanghua School of Management of Peking University with an EMBA degree in 2015. Mr. Cheng joined us in 2007 and has been responsible for overall operation management and sustainable development of property projects in certain regions under his supervision from 2012 to 2014. Since 2014, Mr. Cheng has been responsible for our overall sales and marketing management. Since 2018, Mr. Cheng has been responsible for our overall brand management. Since January 2019, Mr. Cheng has been responsible for the overall investment planning of the Group. Currently, apart from our overall sales and marketing management, brand management and Investment planning management, Mr. Cheng also oversees our investment property management and digital management. Mr. Cheng has over 11 years of experience in management of property development.

Wu Bijun (伍碧君), aged 45, was appointed as our vice president and the chief financial officer in April 2014 and April 2017, respectively. Ms. Wu is also the chairman of our finance committee and is the general manager of our finance center of the Company. Ms. Wu graduated from the

Department of Public Finance and Taxation of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree of economics majoring in public finance in 1995, and obtained an EMBA degree from China Europe International Business School in 2015. She is qualified as a Chinese certified public accountant and a Chinese certified tax agent. Ms. Wu is responsible for our finance and capital management. Prior to joining us in 2005, Ms. Wu worked at Hubei Branch of China Construction Bank and was responsible for accounting and auditing management. From 1999 to 2002, Ms. Wu was the chief auditor of Guangdong Foshan Zhixin Certified Public Accountants Co., Ltd. and was responsible for reviewing the auditor's reports. From 2002 to 2005, Ms. Wu worked at Shunde Finance Bureau and was responsible for the financial management of foreign investment enterprises. Ms. Wu was appointed as a non-executive director of CG Services, a company whose shares are listed on the Stock Exchange, in March 2018. Since joining us in 2005, Ms. Wu has been mainly responsible for our financial management. Ms. Wu has 14 years of experience in the management of real estate financial resources and approximately 24 years of experience in financial management.

Wang Shaojun (王少軍), aged 53, is our vice president. Mr. Wang graduated from Harbin Institute of Architecture and Engineering (currently known as Civil Engineering School of Harbin Institute of Technology) with a bachelor degree in industrial and civil architectures and a master's degree in structural engineering and is a qualified PRC senior civil engineer. Prior to joining us in 2013, Mr. Wang worked in Dalian Wanda Commercial Properties Co., Ltd. as the general manager of its Guangzhou company and was responsible for property development; and worked in Fantasia Holdings Group Co. Limited as the executive vice president and was responsible for the management and operation of property development business. Mr. Wang has 26 years of experience in management of property development.

Chen Bin (陳斌), aged 49, has been our vice president. Mr. Chen graduated from Dongnan University with a bachelor's degree in industrial and civil architecture engineering, an MBA (Kellogg-HKUST), and is a qualified PRC Senior Engineer. Prior to joining us in May 2015, Mr. Chen worked in China Overseas Grand Oceans Group Ltd. as an executive director and the chief executive officer. Mr. Chen is a member of The Society of Professional Engineers and The Chartered Association of Building Engineers. Mr. Chen has 25 years of management experience in construction business and personnel administration.

Peng Zhibin (彭志斌), aged 45, is our vice president. Mr. Peng graduated from Hefei University of Technology with a bachelor's degree of civil engineering in 1996 and Wuhan University with a master's degree of business administration in 2003. In August 2014, Mr. Peng graduated from China Europe International Business School with EMBA. Mr. Peng is primarily responsible for our human resources management. Prior to joining us in 2010, Mr. Peng worked in China Railway Siyuan Survey and Design Group Co., Ltd. as an engineer and the head of professional design. Mr. Peng worked in ZTE Corporation as a cadre management manager of human resources management center and the head of human resources (Middle East region), etc. from 2003 to 2006; worked in Watson Wyatt Worldwide as a consultant and a project manager from 2006 to 2008; and worked in COFCO Property (Group) Co., Ltd. as a group vice president of human resources and a director of human resources (southern region) from 2008 to 2010. Mr. Peng joined us in June 2010 as an assistant to president and the director of human resources. Mr. Peng has 17 years of experience in the human resources management.

Yang Cuilong (楊翠瓏), aged 47, is our vice president. Ms. Yang graduated from South China University of Technology with a bachelor's degree of architecture and is a national first class

registered architect in the PRC and a senior engineer. Prior to joining us in 2000, Ms. Yang worked in Elite Architectural as director of the architectural office from 1993 to 2000 and was responsible for architecture design. Since 2000, she has been serving as the head of general office of our projects and an assistant to president, as well as our general manager for project tendering management department. She was appointed as our vice president as well as the general manager of our cost management center since September 2014 and is responsible for our construction cost, construction tendering and cost management. In January 2019, Ms. Yang was appointed as the general manager of the design management center of the Group and is responsible for the design system management. Ms. Yang has 8 years of experience in architectural design and management and 17 years of experience in operation management and construction cost management for real estate.

Yang Lixing (楊麗興), aged 48, is our vice president. Ms. Yang graduated from South China University of Technology majoring in management. Ms. Yang joined us in 1992 and has been responsible for our procurement management. Ms. Yang was appointed as our vice president in September 2014 as well as the general manager of our procurement center. Ms. Yang has 26 years of experience in the procurement management for real estate.

Huang Yuzang (黃宇葵), aged 43, is our vice president. Mr. Huang graduated from Zhejiang University with a bachelor's degree in architecture and from Peking University with a master's degree in geography (city and urban planning). He is a first-class national registered architect. Prior to joining us, Mr. Huang worked in Hong Kong Huayi Design Consultants (Shenzhen) Limited as the managing director and a design director. Mr. Huang has 20 years of experience in architecture design with extensive practical experience in engineering and acquired dozens of awards in both Mainland China and overseas with his advanced design ideas. Mr. Huang was recognized as "The First Top Ten Architect of Shenzhen", "The Ninth Chinese Architecture Academy Young Architect" and "New Real Estate Architect for the year of 2014". Mr. Huang joined us in March 2015 and was responsible for our design system as the chief designer. Mr. Huang was appointed as our general manager of the cost management center in January 2019 and is responsible for our construction cost, construction tendering and cost management.

Liu Ning (劉寧), aged 51, is our vice president. Mr. Liu assumed Associate Chair of School of Civil Engineering as a professor and a doctoral advisor in Hohai University after his PhD degree in Hohai University and postdoctoral fellowship in Tsinghua University and Hong Kong University of Science and Technology. In 2002, he started his career in the government by serving as the deputy director of the Committee of Humen Port Development Zone, then served as several positions, namely the director of the Working Committee of Songshan Lake National High-tech Zone, head of the Dongguan Science and Technology Bureau and the deputy director of Cloud Computing Industry Technology Innovation and Incubation Center of the Chinese Academy of Sciences. Mr. Liu joined us in April 2017 and is the vice president and the general manager of Industry & City Integration Center. He has 13 years of experience in serving in the government and 11 years of experience in academic field.

Compensation of directors

Our directors receive remuneration in the form of salaries, discretionary bonuses, contributions to pension schemes and benefits in kind. The aggregate salary paid to our directors for each of the three years ended December 31, 2016, 2017 and 2018, was RMB64.5 million, RMB51.9 million, and RMB67.0 million (US\$9.7 million) respectively. In accordance with the rules and regulations in

the PRC, our PRC based employees, including employees who are directors, participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which we and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. For the years ended December 31, 2016, 2017 and 2018 we contributed approximately RMB749,000, RMB617,000 and RMB242,000 (US\$35,197) respectively, to the plans in respect of our directors. The aggregate amounts of compensation (including salaries, discretionary bonuses, contributions to pension schemes and benefits in kind) which were paid to our directors during each of the three years ended December 31, 2016, 2017 and 2018, were RMB100.1 million, RMB220.7 million and RMB212.3 million (US\$30.9 million), respectively.

Audit committee

We have established an audit committee. The principal duties of our audit committee include, among other things: (i) being primarily responsible for making recommendations to our board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; (ii) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) developing and implementing a policy on engaging an external auditor to supply non-audit services; (iv) monitoring the integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, before submission of the financial statements and reports to the Board, and reviewing significant financial reporting judgments contained in them; (v) reviewing the Company's financial control, risk management and internal control systems; and (vi) discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. The members of the audit committee are four of our independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Lai Ming, Joseph is the chairman of our audit committee.

Remuneration committee

We have established a remuneration committee. The principal duties of our remuneration committee include, among other things; (i) making recommendations to our board on the Company's policy and structure for all remuneration of our directors and senior management of our Group; (ii) reviewing and approving the management's remuneration proposals with reference to our board's corporate goals and objectives; and (iii) making recommendations to our board on the remuneration packages of our individual directors and senior management. The remuneration committee consists of six members, of whom two are executive directors being Mr. Yeung Kwok Keung and Mr. Mo Bin, and four are independent non-executive directors being Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Tong Wui Tung is the chairman of our remuneration committee.

Corporate governance committee

We have established a corporate governance committee. The principal duties of our corporate governance committee include, among other things: (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to our board;

(ii) reviewing and monitoring the training and continuous professional development of our directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our Group's employees and directors; and (v) reviewing our Company's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in our corporate governance report. The corporate governance committee consists of three members, of whom all three are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan and Mr. Mo Bin. Mr. Yeung Kwok Keung is the chairman of our corporate governance committee.

Nomination committee

We have established a nomination committee. The principal duties of our nomination committee include, among other things: (i) reviewing the policy concerning diversity of board members and the structure, size and composition of our board and making recommendations on any proposed changes to our board to complement the Company's corporate strategy; (ii) developing and maintaining a policy for the nomination of board members which includes the nomination procedures and the process and criteria adopted by the nomination committee to identify, select and recommend candidates for directorship during the year and reviewing periodically the policy and the progress made towards achieving the objective set in the policy (iii) identifying individuals suitably qualified to become our board members and selecting or making recommendations to our board on the selection of individuals nominated for directorships; (iv) assessing the independence of our independent non-executive directors; and (v) making recommendations to the Board on the appointment or re-appointment of our directors and succession planning for our directors. The nomination committee consists of four members, an executive director, Mr. Yeung Kwok Keung and three independent non-executive directors, namely Mr. Lai Ming, Joseph, Mr. Tong Wui Tung and Mr. Huang Hongyan. Mr. Yeung Kwok Keung is the chairman of our nomination committee.

Executive committee

We have established an executive committee. The principal duties of our executive committee include, among other things: (i) discussing and making decisions on matters relating to the management and operations of the Company including but not limited to corporate matters, financial/treasury planning and to form strategy; (ii) considering and making recommendations to our board on acquisitions of or investments in business or projects; and (iii) reviewing and discussing any other matters as may from time to time be delegated by our board. The executive committee consists of five members, of whom all five are executive directors, namely Mr. Yeung Kwok Keung, Ms. Yang Huiyan, Mr. Mo Bin, Ms. Yang Ziyang and Mr. Yang Zhicheng. Mr. Yeung Kwok Keung is the chairman of our executive committee.

Finance committee

We have established a finance committee. The principal duties of our finance committee include, among other things: (i) approval of the opening and cancelling of bank/securities accounts in name of the Company ("Accounts") and the changing of authorized signatories of the Accounts and dealing with any other matters from time to time in relation to the Accounts; (ii) execution of any matters in relation to buy-back of shares of the Company pursuant to the authorization

granted by our board from time to time and the mandate given by the shareholders of the Company; and (iii) execution of any matters in relation to the employees' share incentive scheme pursuant to the authorization granted by our board from time to time (unless otherwise provided for under Chapter 17 of the Listing Rules). The finance committee consists of seven members, four executive directors, namely Ms. Yang Huiyan, Mr. Mo Bin, Mr. Yang Ziyang and Mr. Yang Zhicheng, one is our chief financial officer being Ms. Wu Bijun, and two senior management of our finance center. Ms. Wu Bijun is the chairman of our finance committee.

Directors' interests

As of the date of this offering memorandum, the interests of the directors of our Company who held office at the date of this offering memorandum in the shares, underlying shares and debentures of our Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register which were required to be kept under section 352 of the SFO, or as otherwise notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules were as follows:

Name of Directors	Capacity	Number of ordinary shares held	Number of underlying shares held	Total	Percentage to the issued shares as of the date of this offering memorandum	Amount of debentures held
Mr. YEUNG Kwok Keung	Interest of controlled corporation	53,372,800 ⁽¹⁾	-	53,372,800	0.24%	US\$81,000,000 ⁽⁸⁾
Ms. YANG Huiyan	Interest of controlled corporation	12,388,274,943 ⁽²⁾	-	12,388,274,943	57.22%	-
Mr. MO Bin	Beneficial owner	17,513,000	18,873,992 ⁽⁴⁾	36,386,992	0.16%	US\$2,000,000 ⁽⁹⁾
Ms. YANG Ziyang	Interest of controlled corporation	6,750,000 ⁽³⁾	-	6,750,000	0.03%	-
Mr. YANG Zhicheng	Beneficial owner	-	5,966,731 ⁽⁴⁾	5,966,731	0.02%	-
Mr. SONG Jun	Beneficial owner	-	5,857,223 ⁽⁴⁾	5,857,223	0.02%	-
Mr. LIANG Guokun	Interest of spouse	2,661,936 ⁽⁵⁾	-	2,661,936	0.01%	-
Mr. SU Baiyuan	Beneficial owner	436,096	1,662,303 ⁽⁴⁾	2,098,399	-	-
	Interest of spouse	419,643 ⁽⁶⁾	-	419,643	-	-
				2,518,042	0.01%	
Mr. CHEN Chong	Interest of spouse	12,388,274,943 ⁽⁷⁾	-	12,388,274,943	57.22%	-
Mr. LAI Ming, Joseph	Beneficial owner	1,034,806	-	1,034,806	0.01%	-
Mr. SHEK Lai Him, Abraham	Beneficial owner	1,034,806	-	1,034,806	0.01%	-
Mr. TONG Wui Tung	Beneficial owner	1,014,786	-	1,014,786	0.01%	-

Notes:

- (1) These shares represent shares held by Kenpac Investments Limited in which Mr. YEUNG Kwok Keung beneficially owns 90% of the issued share capital.
- (2) These shares represent shares held by Concrete Win Limited, Genesis Capital Global Limited and Golden Value Investments Limited in which Ms. YANG Huiyan beneficially owns the entire issued share capital respectively.
- (3) These shares represent shares held by Shiny Dragon Assets Limited in which Ms. YANG Ziying beneficially own the entire issued share capital.
- (4) The relevant interests are unlisted physically settled options granted pursuant to the 2007 Share Option Scheme (as defined below) and 2017 Share Option Scheme (as defined below). Upon exercise of the share options in accordance with the 2007 Share Option Scheme and 2017 Share Option Scheme, ordinary shares of HK\$0.10 each in the share capital of our Company are issuable. The share options are personal to the respective directors. Further details of the share options are set out in the “Share option schemes” below.
- (5) These shares represent shares held by Ms. MA Minhua who is the spouse of Mr. LIANG Guokun.
- (6) These shares represent shares held by Ms. LIU Qing who is the spouse of Mr. SU Baiyuan.
- (7) These shares represent shares held by Ms. YANG Huiyan who is the spouse of Mr. CHEN Chong.
- (8) These debentures include US\$5 million of the 2021 Notes, US\$5 million of the 2022 Notes, US\$1 million of the September 2023 Notes, US\$5 million of the January 2023 Notes, US\$5 million of the January 2025 Notes and US\$60 million of the 2024 Notes, all held by Fine Nation Group Limited in which Mr. YEUNG Kwok Keung beneficially owns 100% of the issued share capital.
- (9) These debentures include US\$2 million of the 2024 Notes.

Employee incentive scheme

We have set up an employee incentive scheme (the “Employee Incentive Scheme”). The trust deed in respect of the Employee Incentive Scheme for rewarding the contribution of our senior management and employees which excludes any of our connected persons together with the scheme rules were approved by our board officially. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in us so as to motivate such participants and to enhance their performance and efficiency. The trustee of the Employee Incentive Scheme is Power Great Enterprises Limited, a wholly-owned subsidiary of the Company. As of December 31, 2018, share awards for 124,083,683 shares of our Company were granted under the Employee Incentive Scheme subject to the registration and transfer procedures yet to be completed. As of December 31, 2018, the cumulative total number of shares of our Company held under the Employee Incentive Scheme was 293,186,788 shares of our Company but the registration and transfer procedures of a portion of the shares of our Company are yet to be completed (December 31, 2017: 107,771,551 shares).

Our board will continue to monitor the Employee Incentive Scheme for motivating our senior management and employees and consider when it may be appropriate and/or desirable to modify or replace the Employee Incentive Scheme with and/or adopt any other incentive scheme.

Share option schemes

1. Share option schemes of the Company

On March 20, 2007, a share option scheme (the “2007 Share Option Scheme”) was approved and adopted by the then shareholders for a period of 10 years commencing on the adoption date. The 2007 Share Option Scheme expired on March 19, 2017.

In view of the expiry of the 2007 Share Option Scheme, a new share option scheme (the “2017 Share Option Scheme”) was approved and adopted by our shareholders at the annual general meeting of our Company held on May 18, 2017 for a period of 10 years commencing on the adoption date and ending on May 17, 2027. Subject to the terms and conditions of the 2017

Share Option Scheme, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares within the validity period of the scheme.

In 2018, share options for 8,546,799 shares of our Company were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.

(a) During the year ended December 31, 2018, details of movements in the share options under the 2007 Share Option Scheme are as follows:

Options to subscribe for Shares									
Category and name of grantees	Outstanding at January 1, 2018	Granted during the year ⁽¹⁾	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at December 31, 2018	Exercise price per share HK\$	Date of grant	Exercisable period
Directors									
Mr. LAI Ming, Joseph	1,014,786	-	1,014,786 ⁽²⁾	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. SHEK Lai Him, Abraham	1,014,786	-	1,014,786 ⁽²⁾	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. TONG Wui Tung	1,014,786	-	1,014,786 ⁽²⁾	-	-	-	3.646	30.11.2012	30.11.2012-29.11.2022
Mr. YANG Zhicheng	1,515,933	-	-	-	-	1,515,933	4.773	13.12.2013	13.12.2018-12.12.2023
	1,509,074	-	-	-	-	1,509,074	3.332	16.03.2016	16.03.2021-15.03.2026
	525,597	-	-	-	-	525,597	3.106	11.05.2016	11.05.2021-10.05.2026
	449,031	-	-	-	-	449,031	3.740	19.08.2016	19.08.2021-18.08.2026
Mr. SONG Jun	736,487	-	-	-	-	736,487	3.332	16.03.2016	16.03.2021-15.03.2026
	1,074,264	-	-	-	-	1,074,264	3.106	11.05.2016	11.05.2021-10.05.2026
	816,050	-	-	-	-	816,050	3.740	19.08.2016	19.08.2021-18.08.2026
Sub-total	9,670,794	-	3,044,358	-	-	6,626,436			
Employees of the Group	3,236,589	-	904,644 ⁽³⁾	-	-	2,331,945	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	3,236,589	-	904,644	-	-	2,331,945			
Other participants	186,342	-	-	-	-	186,342	3.332	16.03.2016	16.03.2021-15.03.2026
	968,146	-	-	-	-	968,146	4.773	13.12.2013	13.12.2018-12.12.2023
Sub-total	1,154,488	-	-	-	-	1,154,488			
Total	14,061,871	-	3,949,002	-	-	10,112,869			

Notes:

- (1) During the year ended December 31, 2018, no share options were granted by the Company in accordance with the terms of the 2007 Share Option Scheme.
- (2) The weighted average closing price of these Shares immediately before May 4, 2018 (the date on which the relevant share options were exercised) was HK\$15.087.
- (3) The weighted average closing price of these Shares immediately before December 13, 2018 (the date on which the relevant share options were exercised) was HK\$9.450.

(b) During the year ended December 31, 2018, details of movements in the share options under the 2017 Share Option Scheme are as follows:

Category and name of grantees	Options to subscribe for Shares					Outstanding at December 31, 2018	Exercise price per share HK\$	Date of grant ⁽²⁾	Exercisable period
	Outstanding at January 1, 2018	Granted during the year ⁽¹⁾	Exercised during the year	Cancelled during the year	Lapsed during the year				
Directors									
Mr. MO Bin	-	6,517,965	-	-	-	6,517,965	16.720	18.05.2018	18.05.2018-17.05.2028
Mr. YANG Zhicheng	484,454	-	-	-	-	484,454	8.250	22.05.2017	22.05.2022-21.05.2027
	495,084	-	-	-	-	495,084	10.100	24.08.2017	24.08.2022-23.08.2027
	205,255	-	-	-	-	205,255	12.980	08.12.2017	08.12.2022-07.12.2027
	-	434,145	-	-	-	434,145	9.654	06.12.2018	06.12.2023-05.12.2028
Mr. XIE Shutai ⁽³⁾	117,526	-	-	-	-	117,526	8.250	22.05.2017	22.05.2022-21.05.2027
Mr. SONG Jun	1,157,991	-	-	-	-	1,157,991	8.250	22.05.2017	22.05.2022-21.05.2027
	483,325	-	-	-	-	483,325	10.100	24.08.2017	24.08.2022-23.08.2027
	454,562	-	-	-	-	454,562	12.980	08.12.2017	08.12.2022-07.12.2027
	-	421,667	-	-	-	421,667	16.460	21.03.2018	21.03.2023-20.03.2028
	-	258,092	-	-	-	258,092	16.280	10.05.2018	10.05.2023-09.05.2028
	-	202,300	-	-	-	202,300	12.240	22.08.2018	22.08.2023-21.08.2028
	-	185,762	-	-	-	185,762	9.654	06.12.2018	06.12.2023-05.12.2028
Mr. SU Baiyuan	1,135,435	-	-	-	-	1,135,435	8.250	22.05.2017	22.05.2022-21.05.2027
	-	526,868	-	-	-	526,868	16.460	21.03.2018	21.03.2023-20.03.2028
Total	4,533,632	8,546,799	-	-	-	13,080,431			

Notes:

- (1) During the year ended December 31, 2018, share options of 8,546,799 Shares with a fair value on the grant date of approximately RMB112,000,000 were granted to eligible persons in accordance with the terms of the 2017 Share Option Scheme.
- (2) The closing price of the Shares immediately before the date of grant of March 21, 2018, May 10, 2018, May 18, 2018, August 22, 2018 and December 6, 2018 was HK\$15.468, HK\$15.373, HK\$15.905, HK\$12.24 and HK\$9.67 respectively.
- (3) Mr. XIE Shutai resigned as executive Director with effect from March 2, 2018.
- (4) The total value of the share options granted under the 2017 Share Option Scheme are not fully recognized in the financial statements of the Company until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.

2. Pre-listing share option scheme of Country Garden Services Holdings Company Limited (“CG Services”)

On March 13, 2018 and May 17, 2018, a share option scheme was approved and adopted by the then shareholders of CG Services and the then shareholders of the Company respectively for a period of 180 days commencing on March 13, 2018 and ending on September 8, 2018 (the “CG Services Share Option Scheme”). Notwithstanding any other provisions of the CG Services Share Option Scheme, CG Services shall not make any offer of options according to the CG Services Share Option Scheme after June 19, 2018.

On May 21, 2018, share options for 132,948,000 shares of CG Services with a fair value on the grant date of approximately HK\$108,375,000 (equivalent to approximately RMB86,667,000) were granted to eligible persons in accordance with the terms of the CG Services Share Option Scheme effective on the date of the listing of CG Services. Three of the eligible persons are also the employees of the Group at the expiration of the scheme after June 19, 2018.

The spin-off of CG Services was completed on June 19, 2018 and CG Services ceased to be a subsidiary of the Company. The shares of CG Services are listed on the main board of the Stock Exchange on June 19, 2018.

Options to subscribe for shares of CG Services									
Category and name of grantees	Outstanding at January 1, 2018	Granted during the year ²	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at December 31, 2018	Exercise price per Share HK\$	Date of grant ³	Exercisable period
Directors									
Mr. MO Bin	-	38,892,000	-	-	-	38,892,000	0.940	21.05.2018	Vesting date ¹ to 20.05.2023
Sub-total	-	38,892,000	-	-	-	38,892,000			
Other participants									
.....	-	94,056,000	-	-	-	94,056,000	0.940	21.05.2018	Vesting date ¹ to 20.05.2023
Sub-total	-	94,056,000	-	-	-	94,056,000			
Total	-	132,948,000	-	-	-	132,948,000			

Notes:

- Subject to the fulfilment of certain vesting conditions, the vesting date is the date of issue of the audit report for the relevant financial year of CG Services, (a) for the financial year of the year of the date on which the shares of CG Services are listed on the main board of the Stock Exchange (the "Listing Date"), 40% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee; (b) for financial year immediately following the year of the Listing Date, 30% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee; and (c) for the second financial year following the year of the Listing Date, 30% of the total number of the shares of CG Services granted under an option will be vested to the relevant grantee.
- During the year ended December 31, 2018, share options of 132,948,000 shares with a fair value on the grant date of approximately HK\$108,375,000 (equivalent to approximately RMB86,667,000) were granted to eligible persons in accordance with the terms of the CG Services Share Option Scheme.
- The closing price of the shares of CG Services immediately before the date of grant of May 21, 2018 is unavailable as the shares of CG Services are listed on the main board of the Stock Exchange on June 19, 2018.
- The total value of the share options granted under the CG Services Share Option Scheme are not fully recognized in the financial statements of CG Services until they are vested. The Directors consider that it is not appropriate to disclose the value of the share options granted to the participants during the year, since any valuation of such share options would be subject to a number of assumptions that would be subjective and uncertain.

Principal shareholders

As of the date of this offering memorandum, according to the register kept by our Company under Section 336 of the SFO, the following companies and persons, other than the directors and chief executive of our Company, had long positions of 5% or more in the shares and the underlying shares of our Company which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity	Number of ordinary shares held	Percentage of total issued shares as of the date of this offering memorandum
Concrete Win Limited	Beneficial Owner	9,446,946,010 ⁽¹⁾	43.63%
Genesis Capital Global Limited	Beneficial Owner	2,840,000,000 ⁽²⁾	13.11%
Ping An Insurance (Group) Company of China, Ltd.	Interest of controlled corporation	1,951,053,750 ⁽³⁾	9.01% ⁽³⁾
Ping An Life Insurance Company of China, Ltd.	Beneficial Owner	1,947,066,000 ^{(3),(4)}	8.99% ^{(3),(4)}

Notes:

- * As of the date of this offering memorandum, the total number of the issued shares of the Company is 21,647,865,197 shares.
- (1) These shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- (2) These shares are held by Genesis Capital Global Limited, the entire issued share capital of which is beneficially owned by Ms. YANG Huiyan.
- (3) Ping An Insurance (Group) Company of China, Ltd. is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the main board of the Hong Kong Stock Exchange (Stock Code: 2318) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601318). Ping An Insurance (Group) Company of China, Ltd. is deemed to be interested in 1,951,053,750 shares (held and managed by its indirectly wholly owned subsidiary, Ping An of China Asset Management (Hong Kong) Co. Ltd. as investment manager), of which 1,947,066,000 shares were beneficially owned by its subsidiary, Ping An Life Insurance Company of China, Ltd. Disclosure of the number of ordinary shares held is made pursuant to the last Disclosure of Interests notice as of December 31, 2018 (date of relevant date: February 14, 2018).
- (4) These shares are beneficially owned by Ping An Life Insurance Company of China, Ltd. Disclosure of the number of ordinary shares held is made pursuant to the last Disclosure of Interests notice as of the date of this offering memorandum (date of relevant date: February 14, 2018).

Save as disclosed above, our Company has not been notified by any other person (other than the directors and chief executive of our Company) who had an interest or short position of 5% or more in the shares and underlying shares of our Company as of the date of this offering memorandum which fell to be disclosed to our Company under Divisions 2 and 3 of Part XV of the SFO.

Related party transactions

The following discussion describes certain material related party transactions in the years ended December 31, 2016, 2017 and 2018, between our consolidated subsidiaries and our directors, executive officers, original shareholders and associates and, in each case, the companies with which they are affiliated.

The following table summarizes our related party transactions for the periods indicated.

(in millions)	For the year ended December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$) (unaudited)
Construction service income				
Controlled by certain shareholders, certain directors and/or their close family members	124.8	15.5	81	12
Associates	703.9	434.0	2,197	320
Joint ventures	507.7	1,042.8	2,008	292
Subtotal	1,336.4	1,492.3	4,286	623
Sales of properties				
Controlled by certain shareholders, certain directors and/or their close family members	-	2,647.1	1,686	245
Joint ventures	-	1,223.6	-	-
Purchase of design service				
Controlled by certain shareholders, certain directors and/or their close family members	1,055.0	2,171.3	4,464	649
Purchase of construction, materials and water				
Controlled by certain shareholders, certain directors and/or their close family members	14.1	-	-	-
Associates	26.1	-	-	-
Joint ventures	50.9	-	-	-
Subtotal	91.1	-	-	-
Provision of guarantee in respect of borrowings				
Associates	6,804.3	11,901.0	24,229	3,524
Joint ventures	11,813.1	19,956.1	32,969	4,795
Purchase of property management services, consultancy, other services and other transactions				
Controlled by certain shareholders, certain directors and/or their close family members	-	21.5	603	88
Associates	-	117.3	407	59
Joint ventures	-	292.8	789	115
Subtotal	-	431.6	1,799	262
Key management compensation	107.9	235.5	274	40

As of December 31, 2016, 2017 and 2018, we had the following significant balances with our related parties:

(in millions)	As of December 31,			
	2016	2017	2018	2018
	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)			
Balances due from related parties				
Included in trade and other receivables (including loans to related parties)				
Controlled by certain shareholders, certain directors and/or their close family members	338.6	462.9	2,435	354
Associates	9,187.4	22,974.0	33,446	4,865
Joint ventures	8,756.7	30,557.5	51,446	7,483
Subtotal	18,282.7	53,994.4	87,327	12,701
Included in amounts due from customers for contract work				
Controlled by certain shareholders, certain directors and/or their close family members	69.8	-	-	-
Associates	158.5	-	-	-
Joint ventures	169.6	-	-	-
Subtotal	397.9	-	-	-
	18,680.6	53,994.4	87,327	12,701
Balances due to related parties				
Included in trade and other payables				
Controlled by certain shareholders, certain directors and/or their close family members	347.9	2,707.3	3,248	472
Associates	12,910.3	32,785.3	27,388	3,983
Joint ventures	14,262.7	52,092.8	34,903	5,076
	27,520.9	87,585.4	65,539	9,532
Balances due from related parties				
Included in contract assets and contract acquisition costs				
Controlled by certain shareholders, certain directors and/or their close family members	-	73.2	48	7
Associates	-	396.0	895	130
Joint ventures	-	590.1	910	132
Subtotal	-	1,059.3	1,853	270

Description of other material indebtedness

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks. As of December 31, 2018, our total borrowings (including bank and other borrowings, receipts under securitization arrangements, the January 2025 Notes, the 2019 Convertible Bond, the 2023 Convertible Bond, the March 2021 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the January 2023 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2022 Notes and the January 2024 Notes (exclusive of the additional January 2024 Notes issued on January 17, 2019), other permitted pari passu indebtedness and corporate bonds) totaled RMB329,269 million (US\$47,890.2 million). As of the date of this offering memorandum, we had a total amount of RMB95,005.0 million (US\$13,817.9 million) of the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2025 Notes, the January 2023 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the April 2022 Notes, the 2023 Convertible Bonds and other pari passu indebtedness outstanding. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

PRC project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily Bank of China, Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, the Bank of East Asia, Hang Seng Bank, Bank of Communications, Industrial Bank, China Everbright Bank, China Citic Bank, Shunde Rural Commercial Bank, China Merchants Bank, SPD Bank, China Zheshang Bank, China Minsheng Bank, Postal Savings Bank of China and Guangdong Development Bank. These loans typically are project loans to finance the construction of our projects (the “project loans”) and have terms ranging from one year to nine years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating or fixed rates calculated by reference to the relevant bank’s benchmark interest rate per annum which in turn is generally linked to PBOC-published rates. Floating interest rates generally are subject to review by the banks annually or quarterly. 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, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first 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;

- make any major changes to their corporate structures or business operation model, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Dividend restriction

Pursuant to these project loans, certain of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrower's after-tax net profit is nil or negative;
- if the after-tax net profit is insufficient to cover losses in previous financial years;
- if the before-tax profit is not used to satisfy the relevant debt due during the same financial year;
- if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period;
- before the principal amount of and accrued interest on the relevant project loan have been timely or fully paid or before obtaining written consent from the lender.

Guarantee and security

Most of our PRC subsidiaries and associates have entered into guarantee agreements, mortgage contracts or pledge contracts, or a combination of them, with the PRC banks in connection with most of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers or have provided security, such as land use rights and equity of the project companies, under these project loans.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of December 31, 2018, the aggregate outstanding amount guaranteed was RMB377,329 million (US\$54,880 million).

2021 Notes

On October 4, 2013, we entered into an indenture (the "2021 Indenture") pursuant to which we issued an aggregate principal amount of US\$750,000,000 7.25% Senior Notes due 2021 (the "2021 Notes").

Guarantee

The obligations pursuant to the 2021 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes and the Private Notes (the "2021 Subsidiary

Guarantors"). Each of the 2021 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2021 Notes.

Collateral

The 2021 Notes and the subsidiary guarantees provided by the 2021 Subsidiary Guarantors are secured by the Shared Collateral. See "—2023 Convertible Bonds—Collateral."

Interest

The 2021 Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2021 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2021 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2021 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2021 Indenture or the holders of at least 25% of the outstanding 2021 Notes may declare the principal of the 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2021 Notes is April 4, 2021.

At any time and from time to time on or after October 4, 2017, we may redeem the 2021 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 October 4 of each of the years indicated below:

Period	Redemption Price
2017	103.625%
2018	101.8125%
2019 and thereafter	100.00%

At any time prior to October 4, 2017, we may redeem the 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to October 4, 2016, we may redeem up to 35% of the aggregate principal amount of the 2021 Notes at a redemption price equal to 107.25% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, *provided that* at least 65% of the aggregate principal amount of the 2021 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2021 Subsidiary Guarantor under the 2021 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2021 Notes at a redemption price equal to 100% of the principal amount of the 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Private Notes

On June 5, 2014, we entered into an indenture (the "Private Notes Indenture") pursuant to which we issued an aggregate principal amount of US\$250,000,000 7.50% Senior Notes due 2019 (the "Private Notes").

Guarantee

The obligations pursuant to the Private Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes and the 2021 Notes (the "Private Notes Subsidiary Guarantors"). Each of the Private Notes Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the Private Notes.

Collateral

The Private Notes and the subsidiary guarantees provided by the Private Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The Private Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the Private Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The Private Notes Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the Private Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the Private Notes or the holders of at least 25% of the outstanding Private Notes may declare the principal of the Private Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding Private Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the Private Notes is June 5, 2019.

2020 Notes

On March 9, 2015, we entered into an indenture (the "2020 Indenture") pursuant to which we issued an aggregate principal amount of US\$900,000,000 7.50% Senior Notes due 2020 (the "2020 Notes").

Guarantee

The obligations pursuant to the 2020 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes and the Private Notes (the "2020 Subsidiary Guarantors"). Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2020 Notes.

Collateral

The 2020 Notes and the subsidiary guarantees provided by the 2020 Notes Subsidiary Guarantors are secured by the Shared Collateral. See "*—2023 Convertible Bonds—Collateral.*"

Interest

The 2020 Notes bear an interest rate of 7.50% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2020 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2020 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2020 Notes is March 9, 2020. At any time and from time to time on or after March 9, 2018, we may redeem the 2020 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 March 9 of each of the years indicated below:

Period	Redemption Price
2018	103.750%
2019	101.875%

At any time prior to March 9, 2018, we may redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to March 9, 2018, we may redeem up to 35% of the aggregate principal amount of the 2020 Notes at a redemption price equal to 107.50% of the principal amount of the 2020 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2020 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2020 Subsidiary Guarantor under the 2020 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

September 2023 Notes

On September 28, 2016, we entered into an indenture (the “September 2023 Indenture”) pursuant to which we issued an aggregate principal amount of US\$650,000,000 4.75% Senior Notes due 2023 (the “September 2023 Notes”).

Guarantee

The obligations pursuant to the September 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2023 Notes, the 2021 Notes, the Private Notes and the 2020 Notes (the “September 2023 Subsidiary Guarantors”). Each of the September 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the September 2023 Notes and the September 2023 Indenture.

Collateral

The September 2023 Notes and the subsidiary guarantees provided by the September 2023 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The September 2023 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the September 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The September 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the September 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding September 2023 Notes may, and the trustee under the September 2023 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the September 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding September 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the September 2023 Notes is September 28, 2023. At any time and from time to time on or after September 28, 2020, we may redeem the September 2023 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 September 28 of each of the years indicated below:

Period	Redemption Price
2020	102.3750%
2021	101.1875%
2022 and thereafter	100.0000%

At any time prior to September 28, 2020, we may redeem the September 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to September 28, 2020, we may redeem up to 35% of the aggregate principal amount of the September 2023 Notes at a redemption price equal to 104.75% of the principal amount of the September 2023 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the September 2023 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a September 2023 Subsidiary Guarantor under the September 2023 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the September 2023 Notes at a redemption price equal to 100% of the principal amount of the September 2023 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2026 Notes

On December 15, 2016, we entered into an indenture (the “2026 Indenture”) pursuant to which we issued an aggregate principal amount of US\$350,000,000 5.625% Senior Notes due 2026 (the “2026 Notes”).

Guarantee

The obligations pursuant to the 2026 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes and the 2020 Notes and the September 2023 Notes (the “2026 Subsidiary Guarantors”). Each of the 2026 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2026 Notes and the 2026 Indenture.

Collateral

The 2026 Notes and the subsidiary guarantees provided by the 2026 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The 2026 Notes bear an interest rate of 5.625% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2026 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2026 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2026 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2026 Notes in respect of which holders have exercised their put options pursuant to the 2026 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2026 Notes may, and the trustee under the 2026 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2026 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2026 Notes is December 15, 2026.

At any time prior to December 15, 2026, we may redeem the 2026 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to December 15, 2026, we may redeem up to 35% of the aggregate principal amount of the 2026 Notes at a redemption price equal to 105.625% of the principal amount of the 2026 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2026 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2026 Subsidiary Guarantor under the 2026 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2026 Notes at a redemption price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Repurchase of the 2026 Notes at the option of the holders

Holders of the 2026 Notes may, at their option, require us to repurchase for cash all of their 2026 Notes, or any portion thereof that is in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof, on December 15, 2021, at the repurchase price equal to 100% of the principal amount of such 2026 Notes to be repurchased, plus accrued and unpaid interest, if any, to (but not including) December 15, 2021.

2022 Notes

On July 25, 2017, we entered into an indenture (the "2022 Indenture") pursuant to which we issued an aggregate principal amount of US\$600,000,000 4.75% Senior Notes due 2022 (the "2022 Notes"). On August 16, 2017, we issued an additional US\$100,000,000 2022 Notes.

Guarantee

The obligations pursuant to the 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes and the 2026 Notes (the "2022 Subsidiary Guarantors"). Each of the 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2022 Notes and the 2022 Indenture.

Collateral

The 2022 Notes and the subsidiary guarantees provided by the 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See "—2023 Convertible Bonds—Collateral."

Interest

The 2022 Notes bear an interest rate of 4.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of default

The 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, the failure by us to consummate the repurchase of the 2022 Notes in respect of which holders have exercised their put options pursuant to the 2022 Indenture and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding 2022 may declare the principal of the 2026 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the 2022 Notes is July 25, 2022.

At any time and from time to time on or after July 25, 2020 we may redeem the 2022 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 July 25 of each of the years indicated below:

Period	Redemption Price
2020	102.375%
2021	101.188%

At any time prior to July 25, 2020, the we may redeem the 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2022 Notes plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to July 25, 2020 we may redeem up to 35% of the aggregate principal amount of the 2022 Notes at a redemption price of 104.75% equal to the principal amount of the 2022 Notes redeemed, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of our capital stock, provided that at least 65% of the aggregate principal amount of the 2022 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the related sale of our capital stock and subject to certain conditions.

Additionally, if we or a 2022 Subsidiary Guarantor under the 2022 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2022 Notes at a redemption price equal to 100% of the principal amount of the 2022 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

January 2023 Notes

On January 17, 2018, we entered into an indenture (the "January 2023 Indenture") pursuant to which we have issued an aggregate principal amount of US\$625,000,000 4.750% Senior Notes

due 2023 (the “January 2023 Notes”), US\$250,000,000 aggregate principal amount was issued on January 17, 2018, and an additional US\$375,000,000 aggregate principal amount was issued on July 31, 2018.

Guarantee

The obligations pursuant to the January 2023 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes and the 2020 Notes, the September 2023 Notes, the 2026 Notes and the 2020 Notes (the “January 2023 Subsidiary Guarantors”). Each of the January 2023 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2023 Notes and the January 2023 Indenture.

Collateral

The January 2023 Notes and the subsidiary guarantees provided by the January 2023 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The January 2023 Notes bear an interest rate of 4.750% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2023 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related 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.

Events of default

The January 2023 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2023 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2023 Notes may, and the trustee under the January 2023 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2023 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2023 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2023 Notes is January 17, 2023.

At any time and from time to time on or after January 17, 2021, the Company may redeem the January 2023 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 January 17 of each of the years indicated below.

Period	Redemption Price
2021	102.3750%
2022	101.1875%

At any time prior to January 17, 2021, the Company may at its option redeem the January 2023 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2023 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to January 17, 2021, the Company may redeem up to 35% of the aggregate principal amount of the January 2023 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 104.750% of the principal amount of the January 2023 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the January 2023 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2025 Notes

On January 17, 2018, we entered into an indenture (the "January 2025 Indenture") pursuant to which we issued an aggregate principal amount of US\$750,000,000 5.125% Senior Notes due

2025 (the "January 2025 Notes"), US\$600,000,000 aggregate principal amount was issued on January 17, 2018 and US\$150,000,000 was issued on September 4, 2018.

Guarantee

The obligations pursuant to the January 2025 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes and the 2020 Notes, the September 2023 Notes, the 2026 Notes and the 2020 Notes (the "January 2025 Subsidiary Guarantors"). Each of the January 2025 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2025 Notes and the January 2025 Indenture.

Collateral

The January 2025 Notes and the subsidiary guarantees provided by the January 2025 Notes Subsidiary Guarantors are secured by the Shared Collateral. See "—2023 Convertible Bonds—Collateral."

Interest

The January 2025 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2025 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related 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.

Events of default

The January 2025 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2025 Notes when such payments become

due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2025 Notes may, and the trustee under the January 2025 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2025 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2025 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2025 Notes is January 17, 2025.

At any time and from time to time on or after January 17, 2022, the Company 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 January 17 of each of the years indicated below.

Period	Redemption Price
2022	102.56250%
2023	101.28125%
2024 and thereafter	100.00000%

At any time prior to January 17, 2022, the Company may at its option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2025 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to January 17, 2022, the Company may redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.125% of the principal amount of the January 2025 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the January 2025 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

March 2021 Notes

On March 12, 2018, we entered into an indenture (the “March 2021 Indenture”) pursuant to which we issued an aggregate principal amount of RMB950 million 5.8% Senior Notes due 2021 (the “March 2021 Notes”).

Guarantee

The obligations pursuant to the March 2021 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes and the 2020 Notes, the September 2023 Notes, the 2026 Notes and the 2020 Notes, the January 2023 Notes, and the January 2025 Notes (the “March 2021 Subsidiary Guarantors”). Each of the March 2021 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the March 2021 Notes and the March 2021 Indenture.

Collateral

The March 2021 Notes and the subsidiary guarantees provided by the March 2021 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The March 2021 Notes bear interest at a rate of 5.8% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2021 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related 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.

Events of default

The March 2021 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the March 2021 Notes when such payments become

due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding March 2021 Notes may, and the trustee under the March 2021 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the March 2021 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding March 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the March 2021 Notes is March 12, 2021. At any time and from time to time on or after March 12, 2020, the Company 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 March 12 of each of the years indicated below.

Period	Redemption Price
2020	102%
2021	100%

At any time prior to March 12, 2020, the Company may at its option redeem the March 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2021 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to March 12, 2020, the Company may redeem up to 35% of the aggregate principal amount of the March 2021 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 105.8% of the principal amount of the March 2021 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the March 2021 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2022 Notes

On September 27, 2018, we entered into an indenture (the "January 2022 Indenture") pursuant to which we have issued an aggregate principal amount of US\$425,000,000 7.125% Senior Notes due 2022 (the "January 2022 Notes").

Guarantee

The obligations pursuant to the January 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes, the 2020 Notes, the

September 2023 Notes, the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes and the January 2024 Notes (the “January 2022 Subsidiary Guarantors”). Each of the January 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2022 Notes and the January 2022 Indenture.

Collateral

The January 2022 Notes and the subsidiary guarantees provided by the January 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The January 2022 Notes bear an interest rate of 7.125% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2022 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related 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.

Events of default

The January 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2022 Notes may, and the trustee under the January 2022 Indenture at the

request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2022 Notes is January 27, 2022. At any time and from time to time on or after September 27, 2020, the Company may redeem the January 2022 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 beginning on September 27, 2020 as indicated below.

Period	Redemption Price
2020 and thereafter	103.56250%

At any time prior to September 27, 2020, the Company may at its option redeem the January 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2022 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in “Description of the January 2022 Notes—Optional Redemption.”

At any time and from time to time prior to September 27, 2020, the Company may redeem up to 35% of the aggregate principal amount of the January 2022 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.125% of the principal amount of the January 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the January 2022 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

January 2024 Notes

On September 27, 2018, we entered into an indenture (the “January 2024 Indenture”) pursuant to which we have issued an aggregate principal amount of US\$1,000,000,000 8.000% Senior Notes due 2024 (the “January 2024 Notes”), US\$550,000,000 aggregate principal amount was issued on September 27, 2018 and US\$450,000,000 was issued on January 17, 2019.

Guarantee

The obligations pursuant to the January 2024 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes and the January 2022 Notes (the “January 2024 Subsidiary Guarantors”). Each

of the January 2024 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the January 2024 Notes and the January 2024 Indenture.

Collateral

The January 2024 Notes and the subsidiary guarantees provided by the January 2024 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The January 2024 Notes bear an interest rate of 8.000% per annum. Interest is payable semiannually in arrears.

Covenants

Subject to certain conditions and exceptions, the January 2024 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the related 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.

Events of default

The January 2024 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the January 2024 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding January 2024 Notes may, and the trustee under the January 2024 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the January 2024 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding January 2024 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the January 2024 Notes is January 27, 2024. At any time and from time to time on or after September 27, 2021, the Company may redeem the January 2024 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 September 27 of each of the years indicated below.

Period	Redemption Price
2021	104.00000%
2022 and thereafter	102.00000%

At any time prior to September 27, 2021, the Company may at its option redeem the January 2024 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2024 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in “Description of the January 2024 Notes—Optional Redemption.”

At any time and from time to time prior to September 27, 2021, the Company may redeem up to 35% of the aggregate principal amount of the January 2024 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 108.000% of the principal amount of the January 2024 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the January 2024 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

April 2022 Notes

On January 17, 2019, we entered into an indenture (the “April 2022 Indenture”) pursuant to which we have issued an aggregate principal amount of US\$550,000,000 7.125% Senior Notes due 2022 (the “April 2022 Notes”).

Guarantee

The obligations pursuant to the April 2022 Notes are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes and the January 2024 Notes (the “April 2022 Subsidiary Guarantors”). Each of the April 2022 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the April 2022 Notes and the April 2022 Indenture.

Collateral

The April 2022 Notes and the subsidiary guarantees provided by the April 2022 Notes Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The April 2022 Notes bear an interest rate of 7.125% per annum. Interest is payable semiannually in arrears.

Covenants

The April 2022 Notes, the April 2022 Indentures governing the Notes and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

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

Events of default

The April 2022 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the April 2022 Notes when such payments become due, default in payment of interest which continues for 30 days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing for a period of 30 consecutive days, the holders of at least 25% of the outstanding April 2022 Notes may, and the trustee under the April 2022 Indenture at the request of such holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of the April 2022 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of control

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding April 2022 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the repurchase date.

Maturity and redemption

The maturity date of the April 2022 Notes is April 25, 2022. At any time and from time to time on or after January 25, 2021, the Company may redeem the April 2022 Notes, in whole or in part, at a redemption price equal to 103.5625% of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date.

At any time prior to January 25, 2021, the Company may at its option redeem the April 2022 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the April 2022 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date as set forth in "Description of the April 2022 Notes—Optional Redemption."

At any time and from time to time prior to January 25, 2021, the Company may redeem up to 35% of the aggregate principal amount of the April 2022 Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.125% of the principal amount of the April 2022 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the April 2022 Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

2023 Convertible Bonds

On December 5, 2018, we entered into a trust deed (the "2023 Trust Deed") pursuant to which we issued an amount of HK\$7,830,000,000 4.50% secured guaranteed convertible bonds due 2023 (the "2023 Convertible Bonds").

Guarantee

The obligations pursuant to the 2023 Convertible Bonds are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes and the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2020 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes and the January 2024 Notes (the "2023 Convertible Bond Subsidiary Guarantors"). Each of the 2023 Convertible Bond Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of all sums expressed to be payable by the Company under the 2023 Convertible Bonds and the 2023 Trust Deed.

Collateral

The capital stock of certain Convertible Bond Subsidiary Guarantors (the "Shared Collateral") is currently pledged to secure on a pari passu basis our obligations under (i) the 2022 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2022 Notes, (ii) the 2021 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2021 Notes, (iii) the Private Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the Private Notes, (iv) the 2020 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2020 Notes, (v) the September 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the September 2023 Notes, (vi) the 2026

notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the 2026 Notes, (vii) the January 2023 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the January 2023 Notes, (viii) the January 2025 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the January 2025 Notes, (ix) the March 2021 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the March 2021 Notes, (x) the January 2022 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the January 2022 Notes, (xi) the January 2024 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the January 2024 Notes, (xii) the April 2022 Notes and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the indenture governing the April 2022 Notes, (xiii) the 2015 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2015 Club Loan, (xiv) the 2016 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2016 Club Loan, (xv) the 2017 Club Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2017 Club Loan, (xvi) the 2018 Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the 2018 Loan, (xvii) the December 2018 Loan and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the facility agreement governing the December 2018 Loan; (xviii) the GS Hedging Obligations, (xix) the DB Hedging Obligations, (xx) the 2023 Convertible Bonds and the subsidiary guarantees provided by the subsidiary guarantor pledgors under the trust deed governing the 2023 Convertible Bonds, and (xxi) other permitted pari passu indebtedness, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the 2023 Convertible bonds, the holders of the January 2024 Notes, the holders of the January 2022 Notes, the holders of the January 2025 Notes, the holders of the January 2023 Notes, the holder of the 2022 Notes, the holders of the 2021 Notes, the holders of the March 2021 Notes, the holders of the Private Notes, the holders of the 2020 Notes, the holders of the September 2023 Notes, the holders of the 2026 Notes, the holders of the April 2022 Notes, the lenders of the 2015 Club Loan, the lenders of the 2016 Club Loan, the lenders of the 2017 Club Loan, the lenders of the 2018 Loan, the lenders of the December 2018 Loan, Goldman Sachs International under the GS Guarantee and Deutsche Bank AG under the DB Guarantee, in respect of the security interests created by the Shared Collateral that is shared on a pari passu basis among them.

Additionally, the Intercreditor Agreement provides for the collateral agent to exercise remedies in respect thereof upon the occurrence of an event of default under the secured obligations and to act as specified in the Intercreditor Agreement. We expect the Trustee for the Notes to become a secured party under the Intercreditor Agreement by executing a supplement to the Intercreditor Agreement. The Shared Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, we and each subsidiary guarantor pledgor may in the future incur additional permitted pari passu secured indebtedness which would be secured by the Shared Collateral on a pari passu basis with the 2022 Notes, the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the January 2023 Notes, the January 2025 Notes, the January 2022 Notes, the January 2024 Notes, the 2019 Convertible Bonds, the 2023 Convertible Bonds and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

Interest

The Convertible Bonds bear an interest rate of 4.50% per annum.

Conversion

Subject to certain conditions, the 2023 Convertible Bonds are, at the option of the holders, convertible during the Initial Conversion Period and the Final Conversion Period. The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be HK\$12.584 per Share but will be subject to adjustment described in the terms and conditions relating to the 2023 Convertible Bonds.

Events of default

The 2023 Trust Deed contains certain customary events of default, including breach of general covenants described in the 2023 Trust Deed.

Maturity and redemption

The maturity date of the 2023 Convertible Bonds is December 5, 2023.

On giving not less than 30 nor more than 60 days' notice to the bondholders in accordance with 2023 Trust Deed and to the Trustee and Principal Agent (which notice shall be irrevocable), the Issuer may redeem all, but not some only, of the Convertible Bonds on the date specified in the Optional Redemption Notice at the Early Redemption Amount as at such date, at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancelations) and/or redemptions effected in respect of 90% or more in principal amount of the Bonds originally issued (which shall for this purpose include any further bonds issued in accordance with Condition 16 (Further Issues) and consolidated and forming a single series therewith).

Domestic Corporate Bonds

Zengcheng RMB8,000,000,000 Domestic Corporate Bonds

Zengcheng Country Garden Property Development Co. Ltd. issued a series of domestic corporate bonds in an aggregate principal amount of RMB8,000,000,000 in 2015 (the "Zengcheng RMB8,000,000,000 Domestic Corporate Bonds"). The first tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in November 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.95% per annum and a term of four years. The second tranche of the Zengcheng RMB8,000,000,000 Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB4,000,000,000 with a coupon rate of 5.10% per annum and a term of four years. At the end of the second year of each tranche, Zengcheng Country Garden Property Development Co. Ltd. can adjust the coupon rate and investors can exercise a retractable option. We repaid RMB300,000,000 of the first tranche and RMB640,000,000 of the second tranche at the end of the second year of each tranche. The Zengcheng RMB8,000,000,000 Domestic Corporate Bonds are listed on the Shanghai Stock Exchange. The proceeds from the issuance of Zengcheng RMB8,000,000,000 Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. We provide joint and several liability guarantee for these bonds.

Company Domestic Corporate Bonds

Our Company issued a series of domestic corporate bonds in 2015 and 2016 (the “Company Domestic Corporate Bonds”). The first tranche of the Company Domestic Corporate Bonds was issued in December 2015 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.99% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The first tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.75% per annum and a term of four years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The second tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in March 2016 in the principal amount of RMB4,000,000,000 with a coupon rate of 4.55% per annum and a term of four years. At the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option. The third tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in August 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 4.60% per annum and a term of five years. At the end of the third year, we can adjust the coupon rate and investors can exercise a retractable option. The proceeds from the issuance of Company Domestic Corporate Bonds will be used for refinancing certain of our existing indebtedness and for general working capital purposes. The fourth tranche of the Company Domestic Corporate Bonds issued in 2016 was issued in September 2016 in the principal amount of RMB10,000,000,000, of which (i) RMB4,170,000,000 principal amount has a coupon rate of 4.15% per annum and a term of four years, and at the end of the second year, we can adjust the coupon rate and investors can exercise a retractable option; and (ii) RMB5,830,000,000 principal amount has a coupon rate of 5.65% per annum and a term of seven years, and at the end of the fifth year, we can adjust the coupon rate and investors can exercise a retractable option.

Guangdong Giant Leap Domestic Corporate Bonds

Giant Leap Construction Co., our wholly-owned subsidiary in the PRC, issued domestic corporate bonds in the principal amount of RMB3,000,000,000. Series 1 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on October 21, 2016 in the principal amount of RMB1,000,000,000 with a coupon rate of 3.20% per annum, with a tenure of four years. At the end of the second year, the issuer can adjust the coupon rate and investors can exercise a retractable option. Series 2 of the Guangdong Giant Leap Domestic Corporate Bonds was issued on the same date in the principal amount of RMB2,000,000,000 with a coupon rate of 3.90% per annum, with a tenure of seven years. At the end of the fifth year, the issuer can adjust the coupon rate and investors can exercise a retractable option. The proceeds from such Series 1 and 2 issuance will be used for general working capital purposes. We provide joint and several liability guarantee for these bonds.

For details of other bond issuances by Giant Leap Construction Co., please refer to note 25 (*Corporate bonds*) in our consolidated financial statements for the year ended December 31, 2018.

Islamic Medium Term Notes

Country Garden Real Estate Sdn. Bhd., our wholly-owned subsidiary in Malaysia, issued its first Islamic medium term notes (the “IMTN”) in December 2015 at a par value of Malaysian Ringgit

115,000,000 (equivalent to approximately HK\$209,875,000 around the time of its issuance) with a coupon rate of 6.00% per annum pursuant to an Islamic medium term notes program of Malaysian Ringgit 1,500,000,000 (equivalent to approximately HK\$2,665,000,000) in nominal value, based on the Shariah principal of Murabahah (via a Tawarruq arrangement) (the "IMTN Program"). The term of the first IMTN issuance is two years while the IMTN Program has a term of 20 years from the date of the first IMTN issuance. The proceeds from the issuance of the IMTN shall be used for the general corporate purposes of Country Garden Real Estate Sdn. Bhd. and its subsidiaries, including to finance present and future Shariah-compliant investments, and/or to finance Country Garden Real Estate Sdn. Bhd. and its subsidiaries' Shariah-compliant working capital and capital expenditure requirements, and/or for payment of fees, expenses, costs and all other amounts payable in relation to the establishment of the IMTN Program, all of which shall be Shariah-compliant, and shall be utilized in Malaysia.

Guarantee and security

The IMTN is guaranteed by the Company together with two of our wholly owned subsidiaries, Bright Start Group Limited and Top Favour Holdings Limited. The IMTN is secured by a share charge over these two subsidiaries' shares in Country Garden Real Estate Sdn Bhd, along with a debenture over all the present and future assets of Country Garden Real Estate Sdn Bhd, and a charge over designated accounts.

Offshore facility agreements

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Bank of East Asia, Limited, The Hongkong and Shanghai Banking Corporation Limited, Wing Lung Bank Limited, Hang Seng Bank Limited, China CITIC Bank International Limited, The Bank of East Asia, Limited, Labuan Branch and BNP Paribas. We have also entered into local project loans with Malaysian banks, including Bank of China (Malaysia) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Industrial and Commercial Bank of China (Malaysia) Berhad, Public Bank Berhad, RHB Bank Berhad and Malayan Banking Berhad, in relation to our Malaysian projects. In addition, on July 31, 2015, we entered into a facility agreement with various lenders and Bank of China (Hong Kong) Limited as the facility agent for dual tranche transferrable term loan facilities denominated in both H.K. dollars and U.S. dollars in an aggregate amount equivalent to approximately US\$800 million for a term of four years commencing from July 31, 2015 (the "2015 Club Loan"). On December 7, 2015, we and the facility agent entered into a supplement to the facility agreement pursuant to which, among others, the amount under the 2015 Club Loan was increased from US\$800 million to US\$975 million. On December 14, 2015, we drew down the facility in full. On December 1, 2016, we and The Hongkong and Shanghai Banking Corporation Limited entered into a facility letter for a new bridging loan in the amount of US\$139 million with a tenor of four months (the "Bridging Loan"). On December 29, 2016, we drew down US\$80 million from such bridging loan, but have fully repaid such amount as of the date of this offering memorandum. On December 8, 2016, we entered into a facility agreement with several lenders and Bank of China (Hong Kong) Limited as the facility agent for a US\$1.5 billion equivalent dual tranche transferable term loan facility (the "2016 Club Loan") and as of the date of this offering memorandum, we had an aggregate amount of HK\$3,790 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) outstanding under the 2016 Club Loan. On October 17, 2017, we entered into a facility agreement with several lenders and China Construction Bank Corporation, Hong Kong Branch, as

the facility agent for a HK\$2,454 million and US\$945 million dual tranche transferable term loan facility (the “2017 Club Loan”) and as of the date of this offering memorandum, we had an aggregate amount of HK\$2,454.0 million (which may be increased upon accession of lenders) and US\$945.0 million (which may be increased upon accession of lenders) outstanding under the 2017 Club Loan. On December 27, 2017, we entered into a facility agreement with BNP Paribas in relation to a term loan facility in an amount of HK\$1,781 million for a term of three years. The term loan is to be applied towards the financing or refinancing of certain acquisitions. On October 26, 2018, we entered into a facility agreement with UBS AG Singapore Branch in relation to a term loan facility in an amount of €300 million for a term of three years. The term loan is to be applied towards the refinancing of existing debt. On December 28, 2018, we entered into a facility agreement with several lenders and Industrial and Commercial Bank of China (Asia) Limited as the facility agent for a HK\$3,790 million and US\$560.5 million dual tranches transferable term loan facility (the “2018 Club Loan”) and as of the date of this offering memorandum, we had an aggregate amount of HK\$3,790 million (which may be increased upon accession of lenders) and US\$560.6 (which may be increased upon accession of lenders) outstanding under the 2018 Club Loan.

Our offshore facilities typically have terms ranging from one year to five years.

Guarantee and security

One of our facilities under the facility agreement with Hang Seng Bank Limited is guaranteed by Angel View International Limited for up to US\$40.0 million. Our loan with Wing Lung Bank Limited is secured by a standby letter of credit from China Merchants Bank Co. Ltd. Our Malaysian loans is guaranteed by our Malaysian subsidiaries and are secured by standby letters of credit and/or their land interests in the relevant projects and associated rights. We also guarantee portions of the loans with Public Bank Berhad, Bank of China (Malaysia) Berhad and Industrial and Commercial Bank of China (Malaysia) Berhad. Our term loan with BNP Paribas is guaranteed by certain of our offshore subsidiaries and secured by shares in the acquisition target.

The obligations pursuant to the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan and 2018 loan are guaranteed by the same subsidiaries acting as subsidiary guarantors for the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the 2019 Convertible Bonds, the January 2022 Notes, the January 2024 Notes, the 2023 Convertible Bonds and other pari passu indebtedness (the “Club Loan Subsidiary Guarantors”). Each of the Club Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan and the 2018 Loan. The 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan and the 2018 Loan and the subsidiary guarantees provided by the Club Loan Subsidiary Guarantors are secured by the Shared Collateral. See “—2023 Convertible Bonds—Collateral.”

Interest

The principal amounts outstanding under these loans generally bear fix rate interest or interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate and for several of our Malaysian loans, the base lending rates of the Malaysian banks.

Covenants

Other than our revolving loan and foreign exchange line with The Hongkong and Shanghai Banking Corporation Limited, our other loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

Perpetual Capital Instrument

In April 2014, the Company and two of our wholly owned subsidiaries, Foshan Shunde Country Garden Property Development Co., Ltd. and Zengcheng Country Garden Property Development Co., Ltd., entered into a perpetual loan agreement with Wanjia Co-Win Asset Management Co., Ltd., pursuant to which Foshan Shunde Country Garden Property Development Co., Ltd. was granted an aggregate principal amount of RMB400.0 million perpetual facility (the "Perpetual Capital Instrument"). The Perpetual Capital Instrument is considered as "equity" for our accounting purposes.

Guarantee

The Perpetual Capital Instrument has varying credit support structures and is guaranteed by the Company and Zengcheng Country Garden Property Development Co., Ltd. Each of the guarantors guarantees the due and punctual payment of the principal, the distributions on, and all other amounts payable under the perpetual loan agreement.

Distributions

The Perpetual Capital Instrument provides for annual distributions and bears a base distribution rate of 10.2%, 10.4%, 13.0% and 16.0% from first to fourth year, respectively, and 19% for the fifth year and beyond. We may elect to defer our distributions if we do not pay dividends on the capital stock of the Company and Foshan Shunde Country Garden Property Development Co., Ltd. for that year, subject to a premium on the deferred distribution (up to a ceiling of distribution rate of 19.0%). Such deferral will not constitute an event of default.

Covenants

Subject to certain conditions and exceptions, the perpetual loan agreement contains certain covenants, restricting the Company and Foshan Shunde Country Garden Property Development Co., Ltd. from, among other things:

- filing for bankruptcy, dissolution, insolvency or business certificate deregistration;
- restructuring or reorganizing;

- changing the Company's controlling shareholders;
- selling all or part of the shares of Foshan Shunde Country Garden Property Development Co., Ltd. to parties other than the Company and its subsidiaries;
- creating liens; and
- changing the shareholding structure of Foshan Shunde Country Garden Property Development Co., Ltd. other than transferring its shares to the Company and its subsidiaries.

Events of default

The Perpetual Capital Instrument contains certain customary events of default, including failure to make payments for principal of, and distributions on, the Perpetual Capital Instrument when due and payable. If Foshan Shunde Country Garden Property Development Co., Ltd. fails to make distributions when due and payable, the Perpetual Capital Instrument holders may require Foshan Shunde Country Garden Property Development Co., Ltd. to start insolvency procedures within 30 days of the original distribution date.

Maturity and redemption

The Perpetual Capital Instrument does not have a maturity date or any mandatory redemption options. If Foshan Shunde Country Garden Property Development Co., Ltd. commences an insolvency proceeding, it must redeem the instrument and repay the principal and all unpaid distributions.

Trust Financing

From time to time, our PRC subsidiaries enter into financing arrangements with local trust institutions. These local trust institutions provide trust loans for purposes of our project development in return for interest payments, and have terms ranging from 12 to 36 months. We have also entered into arrangements whereby our PRC subsidiaries' rights to receive dividends or the proceeds from property sales or accounts receivables were sold and repurchased after a period of time. Some of our trust loans and financing arrangements are guaranteed by our Company or secured by the relevant PRC subsidiaries' shares (through share pledge or ownership of shares) or land use rights in favor of the trust finance provider, or a combination of these. The trust loans and financing arrangements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the arrangements. If an event of default has occurred, the trust finance provider may, without prior notice, exercise its rights to realize the security held under the share pledge agreement and land mortgage agreement, and demand payments from us as guarantor.

Asset-backed Securities

Zengcheng January 2016 Asset-backed Securities

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB2,945,500,000 in the PRC in January 2016 (the "Zengcheng January 2016 Asset-backed Securities"). The senior tranche is in the principal amount of RMB2,800,000,000

with a coupon rate of 5.10% per annum and a term of four years. The equity tranche is in the principal amount of RMB145,500,000 with a term of four years, which does not have an explicit coupon rate but will receive the residual cash flows collected from the balance payment after distributions to the senior tranche. The Zengcheng January 2016 Asset-backed Securities are backed by certain contract receivables rights of Zengcheng Country Garden Property Development Co. Ltd. The proceeds from the issuance of Zengcheng January 2016 Asset-backed Securities shall be used for our general working capital purposes. We provide guarantees to the manager of the Zengcheng January 2016 Asset-backed Securities (for the benefit of the holders of the senior tranche) on the punctual performance by Zengcheng Country Garden Property Development Co. Ltd. of its shortfall payment obligations.

Zengcheng June 2016 Asset-backed Securities

Zengcheng Country Garden Property Development Co. Ltd. issued asset-backed securities in the principal amount of RMB4,800,000,000 in the PRC in June 2016 (the "Zengcheng June 2016 Asset-backed Securities"). The senior tranche A ("Tranche A"), senior tranche B ("Tranche B") and senior tranche C ("Tranche C") of the Zengcheng June 2016 Asset-backed Securities are issued in the principal amount of RMB4,050,000,000 with a coupon rate of 4.5% per annum and a term of two years, the principal amount of RMB200,000,000 with a coupon rate of 5.65% per annum and a term of two years, and the principal amount of RMB200,000,000 with a coupon rate of 5.8% per annum and a term of two years, respectively. The equity tranche is in the principal amount of RMB350,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A, Tranche B and Tranche C. The Zengcheng June 2016 Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Zengcheng June 2016 Asset-backed Securities shall be used for our general working capital purposes.

Fujian Asset-backed Securities

Fujian Country Garden Property Development Co. Ltd., our wholly-owned subsidiary, issued asset-backed securities in the principal amount of RMB1,411,000,000 in the PRC in June 2016 (the "Fujian Asset-backed Securities"). The senior tranche A1 ("Tranche A1") and the senior tranche A2 ("Tranche A2") were issued in the principal amount of RMB390,000,000 with a coupon rate of 4.5% per annum and a term of one year, and the principal amount of RMB540,000,000 with a coupon rate of 5.0% per annum and a term of two years, respectively. The senior tranche B ("Tranche B") was issued in the principal amount of RMB410,000,000 with a coupon rate of 6.0% per annum and a term of two years. The equity tranche was issued in the principal amount of RMB71,000,000 with a term of two years. It does not have an explicit coupon rate but receives the residual cash flows collected from the balance payment after distributions to Tranche A1, Tranche A2 and Tranche B. The Fujian Asset-backed Securities are backed by the account receivables for the balance payment of properties sold. The proceeds from the issuance of the Fujian Asset-backed Securities shall be used for our general working capital purposes.

Country Garden Rental Housing Quasi-Real Estate Investment Trusts (REITs)

We entered into a Rental Housing Quasi-Real Estate Investment Trusts (REITs) arrangement for a principal amount of RMB10,000,000,000 in the PRC in May 2018 (the "Rental Housing Quasi-

REITs"). The first tranche was issued in the principal amount of RMB1,717,000,000 with a coupon rate of 5.75% per annum and a term of 18 years. The Rental Housing Quasi-REITs are backed by our rental income. The proceeds from the issuance shall be used for the development of our long-term rental housing business.

Other Securitization Arrangement

In October 2016, we entered into an asset backed securitization arrangement whereby the rights to receive payments for property sales for one of our Malaysian projects were assigned to a third party entity. The third party entity issued securities in an aggregate principal amount of US\$120,000,000 in October 2016, for which we provided a guarantee on payment shortfalls of the third party entity.

Hedging Obligations

In line with our risk management policy to hedge against interest rate and foreign exchange risks, we have entered into swap transactions with various financial institutions. On June 30, 2016, we entered into the GS Hedging Documents with Goldman Sachs International. Our GS Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On June 30, 2016, Goldman Sachs International entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. On May 9, 2017, we entered into the DB Hedging Documents with Deutsche Bank AG. Our DB Hedging Obligations thereunder are guaranteed by the same Subsidiary Guarantors. On May 9, 2017, Deutsche Bank AG entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement.

Description of the April 2024 Notes

For purposes of this “Description of the April 2024 Notes,” the term “Company” refers only to Country Garden Holdings Company Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” For the purposes of this section, the term “Notes” refers to the April 2024 Notes.

The Notes are to be issued under an indenture (the “Indenture”) to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Citicorp International Limited, 39/F Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong.

Brief description of the Notes

The Notes are:

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

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

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

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

The Notes will mature on April 8, 2024 (the “Final Maturity Date”) unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the April 2024 Notes” include any Additional Notes that are actually issued. The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on April 8 and October 8 of each year (each an “Interest Payment Date”), commencing October 8, 2019 provided that the final Interest Payment Date, assuming any Notes then remaining outstanding, shall be on the Final Maturity Date.

Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes (“Holders”) of record at the close of business on April 7 or October 7 and, when in the form of Certificated Notes, on March 24 or September 23, immediately preceding an Interest Payment Date (each, a “Record Date” and provided that the Record Date for any interest payment due on the Final Maturity Date shall be April 7, 2024 when the Notes are in the form of Global Notes, and March 24, 2024 when the Notes are in the form of Certificated Notes), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on, or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 1 North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista

Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not have significant operations. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC and the Unrestricted Subsidiaries and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and the Company's other Restricted Subsidiaries organized outside of the PRC other than the Subsidiary Guarantors. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee unless designated as a Subsidiary Guarantor in accordance with the Indenture. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries (as defined below) will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of December 31, 2018,

- the Company and its consolidated subsidiaries had total consolidated borrowings (including bank and other borrowings, senior notes, receipts under securitization arrangements, convertible bonds and corporate bonds) of approximately RMB329,269 million (US\$47,890 million), including short-term borrowings (including the current portion of long-term bank and other borrowings, receipts under securitization arrangements, senior notes, convertible bonds and corporate bonds) of RMB126,891 million (US\$18,456 million);
- the Company and its consolidated subsidiaries had contingent liabilities in relation to guarantees in respect of mortgage facilities for purchasers of approximately RMB319,239 million (US\$46,431 million) and guarantees for borrowings of joint ventures, associates and third parties of approximately RMB58,090 million (US\$8,449 million).

As of the date of this offering memorandum, our total indebtedness secured by the Collateral that is subject to the Intercreditor Agreement was approximately RMB95,005.0 million (US\$13,817.9 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) as soon as practicable after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (Restricted Subsidiaries other than those organized under the laws of the PRC that become Restricted Subsidiaries after the Original Issue Date and that do not provide Subsidiary Guarantees in accordance with the Indenture, the "New Non-Guarantor Restricted Subsidiaries"), provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of Total Assets.

So long as the Notes remain outstanding, the Company will, no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements), calculate and determine whether the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets. If, at such time of determination, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Restricted Subsidiaries and cause such Non-Guarantor Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more Non-Guarantor Restricted Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Non-Guarantor Restricted 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 favorable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as a Non-Guarantor Restricted Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show

that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries 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 or after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Restricted Subsidiaries" (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not a Subsidiary Guarantor (including the New Non-Guarantor Restricted 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 of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

In addition, subject to the limitations described in "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "—Security;" and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "—Defeasance—Defeasance and discharge;"
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries," "—Certain covenants—Limitation on Asset Sales" and "—Consolidation, merger and sale of assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, in compliance with the terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries, except Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield

Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY Holding LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements under the Indenture relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the “Collateral”) on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the 2019 Private Notes Trustee, the 2020 Trustee, the 2021 Trustee, the September 2023 Trustee, the 2026 Trustee, the 2022 Trustee, the January 2023 Trustee, the January 2025 Trustee, the March 2021 Trustee, the January 2022 Trustee, the January 2024 Trustee, the 2023 CB Trustee, the April 2022 Trustee and each other holder of *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors under, the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed and the April 2022 Indenture) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture and any other agreement with respect to other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under, (i) the 2019 Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, (ii) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (iii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iv) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (v) the 2026 Notes and the subsidiary guarantees provided by the Subsidiary Guarantors Pledgors under the 2026 Indenture, (vi) the 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, (vii) the January 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2023 Indenture, (viii) the January 2025 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2025 Indenture, (ix) the March 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the March 2021 Indenture, (x) the January 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2022 Indenture, (xi) the January 2024 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2024 Indenture, (xii) the 2023 CB and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 CB Trust Deed, (xiii) the April 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the April 2022 Indenture, (xiv) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, (xv) the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, (xvi) the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, (xvii) the 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2018 Facility Agreement, (xviii) the December 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the December 2018 Facility Agreement, (xix) the GS Hedging Obligations, (xx) the DB Hedging Obligations and (xxi) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture and (xxii) any other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors. See “—Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Falcon Investments Development Ltd, and Impreza Group Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC and other Non-Guarantor Subsidiaries) after the Original Issue Date, within 30 days after such Person has become a Restricted Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the

Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges 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."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors or other Secured Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date and subject to the Indenture, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Subsidiary Guarantee, "Permitted *Pari Passu* Secured Indebtedness"); provided that (1) the Company or such Subsidiary Guarantor was permitted to incur such Indebtedness under the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari Passu* Subsidiary Guarantee that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers' Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below 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 will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”), among others, are party to an intercreditor agreement dated September 10, 2009. The intercreditor agreement has been amended and supplemented by supplemental intercreditor agreements on September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, September 28, 2016, December 15, 2016, March 16, 2017, May 9, 2017, July 25, 2017, November 6, 2017, November 30, 2017, January 17, 2018, January 30, 2018, March 12, 2018, September 27, 2018, December 5, 2018 and January 25, 2019 (the intercreditor agreement as amended and supplemented on such dates or otherwise, the “Existing Intercreditor Agreement”) and the following parties have acceded to the intercreditor agreement: the trustee on behalf of the holders of the 11.750% Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250% Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500% Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125% Senior Notes due 2018 Notes (which have been fully redeemed), the trustee on behalf of the holders of the 7.50% Senior Notes due 2023 (which have been fully redeemed), the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes (which have been fully redeemed), the 2019 Trustee on behalf of the holders of the 2019 Notes (which have been fully redeemed), the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the November 2018 Trustee on behalf of the holders of the November 2018 Notes (which have been fully redeemed), the January 2023 Trustee on behalf of the holders of the January 2023 Notes, the January 2025 Trustee on behalf of the holders of the January 2025 Notes, the March 2021 Trustee on behalf of the holders of the March 2021 Notes, the January 2022 Trustee on behalf of the holders of the January 2022 Notes, the January 2024 Trustee on behalf of the holders of the January 2024 Notes, the 2019 CB Trustee on behalf of the holders of the 2019 CB (which have been fully redeemed), the 2023 CB Trustee on behalf of the holders of the 2023 CB, the April 2022 Trustee on behalf of the holders of the April 2022 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan (which have been fully repaid), the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, the 2018 Facility Agent on behalf of the lenders of the 2018 Loan, the December 2018 Facility Agent on behalf of the lender of the December 2018 Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and any other trustee on behalf of any other *pari passu* secured indebtedness of the Company. On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have entered into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to

supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the "Intercreditor Agreement").

Under the Intercreditor Agreement, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the 2022 Notes, the January 2023 Trustee on behalf of the holders of the January 2023 Notes, the January 2025 Trustee on behalf of the holders of the January 2025 Notes, the March 2021 Trustee on behalf of the holders of the March 2021 Notes, the January 2022 Trustee on behalf of the holders of the January 2022 Notes, the January 2024 Trustee on behalf of the holders of the January 2024 Notes, the 2023 CB Trustee on behalf of the holders of the 2023 CB, the April 2022 Trustee on behalf of the holders of the April 2022 Notes, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, the 2018 Facility Agent on behalf of the lenders of the 2018 Loan, the December 2018 Facility Agent on behalf of the lender of the December 2018 Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and the Trustee on behalf of the holders of the Notes (collectively with each holder (or its trustee or representative) of *pari passu* secured indebtedness permitted under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations and the DB Hedging Obligations who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the "Secured Parties") will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations, the DB Hedging Obligations and the Indenture (collectively with any other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors, the "Secured Obligations"), to exercise remedies in respect thereof upon the occurrence of an event of default under the Secured Obligations and to act as specified in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto may enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Enforcement of security

The Intercreditor/Collateral Agent has agreed to act as secured party on behalf of the Secured Parties to follow the instructions provided to it under the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement will provide, among other things, that each of the Secured Parties may direct the Intercreditor/Collateral Agent to initiate enforcement against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the Secured Parties have not agreed to initiate enforcement, then, twenty business days after the non-enforcing parties shall have been notified of the intent to initiate enforcement against any of the Collateral, the enforcing party may direct the Intercreditor/Collateral Agent to commence enforcement proceedings in accordance with the terms of the Secured Obligations; provided that all direction with respect to the further timing and manner of such exercise following such commencement shall be given by the Secured Parties.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

first, to the ratable payment of the expenses of such sale or other realization, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

third, to the ratable payment of unpaid principal of the Secured Obligations;

fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;

fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

Release of security

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance and discharge of the Notes as provided below under the caption “—Defeasance—Defeasance and discharge;”
- upon dispositions of such Collateral in compliance with the covenants under the captions “Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries” or “—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, merger and sale of assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Restricted Subsidiary;
- with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

Further issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Optional redemption

At any time and from time to time on or after April 8, 2022, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the 12 month period beginning on April 8 of each of the years as indicated below.

Period	Redemption Price
2022	103.25%
2023	101.625%
2024	100.00%

At any time prior to April 8, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice

of any redemption. Neither the Trustee nor any of the Agents will be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to April 8, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 106.50% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will in a timely manner repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control

Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks relating to the Notes—We may not be able to repurchase the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 CB, the April 2022 Notes, the Notes or any other *pari passu* secured indebtedness of the Company with relevant Change of Control Triggering Event provision upon a change of control triggering event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any

present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, merger and sale of assets”) or an applicable Subsidiary Guarantor is organized or resident for tax purposes or which is imposing such withholding or deduction because of a connection between the Company, the Surviving Person or the Subsidiary Guarantor and such jurisdiction (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. 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; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for taxation reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable written notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as

the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary (other than a Subsidiary Guarantor) to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(b) any *Pari Passu* Subsidiary Guarantees by any Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this sub-clause (d) and (ii) if the Company or any Subsidiary Guarantor is the obligor and neither the Company nor any Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(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, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have correlative meanings), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (q), (r), (s), (t), (u), (v), or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no

event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries from 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, 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 a Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (p), (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later

than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “—Limitation on issuances of Guarantees by Restricted Subsidiaries”;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 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\$15.0 million (or the Dollar Equivalent thereof);

(p) Indebtedness of the Company or any Restricted Subsidiary arising from Guarantees of Indebtedness of the Joint Venture or any of its Subsidiaries in an aggregate outstanding amount not to exceed RMB1.70 billion, provided that on the date of Incurrence of the relevant Indebtedness by the Joint Venture or its Subsidiaries and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (p) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above or clause (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (q) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) or (p) above or clause (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred any of such clauses 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) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p) or (q) above or clause (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (s) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q) or (r) above or clause (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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 the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (t) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r) or (s) above or clause (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(u) Acquired Indebtedness of any Person 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 sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (u) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s) or (t) above or clause (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, 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 sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (v) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s), (t) or (u) above or clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (w) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to sub-clauses (h), (p), (q), (r), (s), (t), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred such clauses 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

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness, provided that any Indebtedness Incurred under clause (p) of part (2) of this "Limitation on Indebtedness and Preferred Stock" covenant shall not so be reclassified.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options,

warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(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 (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "—Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after September 10, 2009, including, for the avoidance of doubt, any payment described in clauses (1) through (4) above made after September 10, 2009 and prior to the Original Issue Date that would have constituted a "Restricted Payment" under the Indenture had it been in effect at the time of such payment, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning July 1, 2009 and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after September 10, 2009 as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(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 September 10, 2009 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 sum of:

(A) (1) the net reduction in Investments (that were made after September 10, 2009 and that would have been treated as Restricted Payments herein had the Indenture been in effect at such time) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person, (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, would have constituted a Restricted Payment herein had the Indenture been in effect at such time) provided by the Company or a Restricted Subsidiary or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since September 10, 2009 shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person would not have been Permitted Investments herein at the time such Investments were made had the Indenture been in effect at such time; or (2) to the extent that an Investment made after September 10, 2009 (that would have been treated as a Restricted Payment herein had the Indenture been in effect at such time) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (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 are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 50.0% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the repurchase of Capital Stock of the Company by the Company or Power Great Enterprises Limited in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$37.5 million;
- (7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant; provided that any interest expenses or dividend distributions made under such Indebtedness or Preferred Stock are treated as a Consolidated Fixed Charge;
- (8) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (9) 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 or 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 (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) 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 less than or equal to the Fair Market Value of such Capital Stock; or

(10) any Guarantee by the Company or any Restricted Subsidiary permitted to be Incurred under the covenant described under paragraph (2)(t) of the "Limitation on Indebtedness and Preferred Stock" covenant;

provided that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after September 10, 2009 shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "—Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "—Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "—Limitation on Restricted Payments" covenant and paragraph (19) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of clause (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari Passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales” covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or 2(x) or permitted under clause (2)(o) of the "Limitation on Indebtedness and Preferred Stock" covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the 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, provided further 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;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (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 to make required payments under its Subsidiary Guarantee, provided further 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 the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, 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.

Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant; provided further that, paragraph (19)(f) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (19) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee 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 until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "—Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any 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 (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such

Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on transactions with shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such 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\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for their service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption "—Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as

such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a 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 a proposed Restructuring, or any amendment or modification or 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 such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or by reason of being a Subsidiary of the Company or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) (A) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of such minority shareholder or minority partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company; or (B) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an

accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company invest such Net Cash Proceeds in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US\$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest of the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of proceeds" in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "—Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a

Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor if required under “—The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged if required under “—Security.”

Government approvals and licenses; compliance with law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any 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, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of certain covenants

If, on any date following the date of the Indenture, the Notes (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies, or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of three of the Rating Agencies, and (B) no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies (in the case of (A)(i) above, or from two out of three of the Rating Agencies (in the case of (A)(ii) above), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”
- (2) “—Certain covenants—Limitation on Restricted Payments;”
- (3) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;”

(4) “—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries;”

(5) “—Certain covenants—Limitation on issuances of Guarantees by Restricted Subsidiaries;”

(6) “—Certain covenants—Limitation on Sale and Leaseback Transactions;” and

(7) “—Certain covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of financial statements and reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee (in the English language) and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, merger and sale of assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain covenants—Limitation on Asset Sales" or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any

Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption “—Security;”

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Intercreditor/Collateral Agent or the Trustee, as the case may be, ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the

proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Intercreditor/Collateral Agent to, subject to being indemnified and/or secured to its satisfaction, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Intercreditor/Collateral Agent or the Trustee, as the case may be, deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

No Holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder 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.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and the Subsidiary Guarantors’ performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain covenants—Provision of financial statements and reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any opinion of counsel or officer's certificate regarding whether an Event of Default or Default has occurred.

Consolidation, merger and sale of assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption

“—Consolidation, merger and sale of assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No 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), unless:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “—Certain covenants—Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No payments for consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be U.S. persons as defined in Regulation S of the Securities Act and not institutional "accredited investors" as defined in subparagraphs (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any other jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion and the Trustee shall not have any responsibility or liability for such determination by the Company.

Defeasance

Defeasance and discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. 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 Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of,

premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees with respect thereto will terminate.

Defeasance of certain covenants

The Indenture further will provide that the provisions of the Indenture with respect to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, merger and sale of assets” and all the covenants described herein under “—Certain covenants,” other than as described under “—Certain covenants—Government approvals and licenses; compliance with law” and “—Certain covenants—Anti-Layering,” clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, merger and sale of assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and certain other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture 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 that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and waiver

Amendments without consent of holders

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, merger and sale of assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (10) permit Permitted *Pari Passu* Secured Indebtedness (including, without limitation, permitting the Trustee and the Intercreditor/Collateral Agent to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the April 2024 Notes;” or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Intercreditor/Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, any Security Document or Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale 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;

(13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under “Consolidations, merger and sale of assets, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “—Certain covenants—Limitation on Asset Sales;”

(14) change the redemption date or the redemption price of the Notes from that stated under the captions “—Optional redemption” or “—Redemption for taxation reasons;”

(15) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No personal liability of incorporators, stockholders, officers, directors or employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee, and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and Citibank N.A., London Branch has been appointed as the paying agent, the registrar and the transfer agent (the “Paying Agent”, “Registrar” and “Transfer Agent”, respectively) with regard to the Notes. The Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

Subject to the Intercreditor Agreement, The Bank of New York Mellon will initially act as Intercreditor/Collateral Agent or Trustee, as the case may be, under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent or the Trustee, as the case may be, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent or the Trustee, as the case may be, may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Holders. The Intercreditor/Collateral Agent or the Trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Intercreditor/Collateral Agent or the Trustee, as the case may be, indemnity and/or security satisfactory to the Intercreditor/Collateral Agent or the Trustee, as the case may be, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Intercreditor/Collateral Agent or the Trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent or the Trustee, as the case may be, in respect of such risks.

The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders or the Intercreditor/Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

Neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent would be responsible for the calculation or verification of the Applicable Premium.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

Book-entry; delivery and form

The certificates representing the Notes will be issued in fully registered form without interest coupons (the "Global Notes" and each a "Global Note"). Beginning on the Original Issue Date and ending 40 days after the Original Issue Date (the "Resale Restriction Period"), beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States.

On the Original Issue Date, the Global Notes will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event a Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part only.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an

Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in the Global Notes for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Suite 1702, 17/F., Dina House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong and (if intended for the Trustee) addressed to the Trustee at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with the applicable procedures of Euroclear or Clearstream).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules

and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, or if by mail, when so sent or deposited.

Consent to jurisdiction; service of process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing law

Each of the Notes, the Subsidiary Guarantees, the Indenture and the Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The existing Security Documents are governed by the laws of Hong Kong.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the April 2024 Notes" for which no definition is provided.

"2015 Club Loan" means the HK\$1,224 million and US\$818 million equivalent dual tranche transferable term loan facility.

"2015 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2015 Club Loan.

"2015 Facility Agreement" means the credit agreement for the 2015 Club Loan.

"2016 Club Loan" means the HK\$3,790.0 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) equivalent dual tranche transferable term loan facility.

"2016 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2016 Club Loan.

"2016 Facility Agreement" means the facility agreement for the 2016 Club Loan.

"2017 Club Loan" means the HK\$2,454 million (which may be increased upon accession of lenders) and US\$945 million (which may be increased upon accession of lenders) dual tranche transferable term loan facility.

"2017 Facility Agent" means China Construction Bank Corporation, Hong Kong Branch, the facility agent under the 2017 Club Loan.

"2017 Facility Agreement" means the facility agreement for the 2017 Club Loan.

"2018 Loan" means the €300 million term loan facility.

"2018 Facility Agreement" means the facility agreement for the 2018 Loan.

"2019 CB" means the Zero Coupon Secured Guaranteed Convertible Bonds due 2019 issued by the Company to the 2019 CB Trustee.

"2019 CB Trustee" means the trustee under the 2019 CB Trust Deed.

"2019 CB Trust Deed" means the trust deed dated January 30, 2018 governing the 2019 CB.

"2019 Indenture" means the Indenture dated May 17, 2014 governing the 2019 Notes, as amended and supplemented.

"2019 Notes" means the 7.875% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Indenture.

"2019 Trustee" means the trustee under the 2019 Indenture.

"2019 Private Notes" means the 7.50% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Private Notes Indenture.

"2019 Private Notes Indenture" means the indenture dated June 5, 2014 governing the 2019 Private Notes, as amended and supplemented.

"2019 Private Notes Trustee" means the trustee under the 2019 Private Notes Indenture.

"2020 Indenture" means the indenture dated March 9, 2015 governing the 2020 Notes, as amended and supplemented.

"2020 Notes" means the 7.50% Senior Notes due 2020 issued by the Company from time to time pursuant to the 2020 Indenture.

"2020 Trustee" means the trustee under the 2020 Indenture.

"2021 Indenture" means the indenture dated October 4, 2013 governing the 2021 Notes, as amended and supplemented.

"2021 Notes" means the 7.25% Senior Notes due 2021 issued by the Company from time to time pursuant to the 2021 Indenture.

"2021 Trustee" means the trustee under the 2021 Indenture.

"2022 Indenture" means the indenture dated July 25, 2017 governing the 2022 Notes, as amended and supplemented.

"2022 Notes" means the 4.75% Senior Notes due 2022 issued by the Company from time to time pursuant to the 2022 Indenture.

"2022 Trustee" means the trustee under the 2022 Indenture.

"2023 CB" means the 4.5% secured guaranteed convertible bonds due 2023 issued by the Company to the 2023 CB Trustee.

"2023 CB Trustee" means the trustee under the 2023 CB Trust Deed.

"2023 CB Trust Deed" means the trust deed dated December 5, 2018 governing the 2023 CB.

“2026 Indenture” means the indenture dated December 15, 2016 governing the 2026 Notes, as amended and supplemented.

“2026 Notes” means the 5.625% Senior Notes due 2026 issued by the Company from time to time pursuant to the 2026 Indenture.

“2026 Trustee” means the trustee under the 2026 Indenture.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Acquisition Fair Value Gain” means any fair value gain, or negative goodwill, arising from the difference in the acquisition consideration and the fair value of net assets in connection with a purchase or acquisition of any property project or a purchase, redemption or acquisition of Capital Stock of any Restricted Subsidiary primarily engaged in the acquisition, development and sale of property projects.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after April 8, 2022 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, control (including, with correlative meanings, the terms controlling, controlled by and under common control with), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the

redemption price of such Note on April 8, 2022 (such redemption price being set forth in the table appearing under the caption “—Optional Redemption”), plus all required remaining scheduled interest payments due on such Note through April 8, 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“April 2022 Indenture” means the Indenture dated January 25, 2019 governing the April 2022 Notes, as amended and supplemented.

“April 2022 Notes” means the 7.125% Senior Notes due 2022 issued by the Company from time to time pursuant to the April 2022 Indenture.

“April 2022 Trustee” means the trustee under the April 2022 Indenture.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that Asset Sale shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain covenants—Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption—Consolidation, merger and sale of assets; and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“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 a pledge of one or more bank accounts or deposits 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 U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any person (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are collectively the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(4) 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;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) 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.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to 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 Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security or securities having a maturity comparable to April 8, 2022 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to April 8, 2022.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including, for the avoidance of doubt, capitalized interest included in cost of sales,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP and Acquisition Fair Value Gains),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains (other than Acquisition Fair Value Gains),

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to

Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real

or personal property or equipment to be used in a business of the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“DB Guarantee” means the guarantees entered into by the Subsidiary Guarantors dated May 9, 2017, and in relation to the DB ISDA Agreement.

“DB Hedging Obligations” means the amounts due to Deutsche Bank AG from the Company and the Subsidiary Guarantors under the DB ISDA Agreement and the DB Guarantee.

“DB ISDA Agreement” means the swap transaction entered into by the Company with Deutsche Bank AG pursuant to an ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

“December 2018 Facility Agent” means the facility agent for the benefit of the lender of the December 2018 Loan.

“December 2018 Facility Agreement” means the credit agreement for the December 2018 Loan.

“December 2018 Loan” means the HK\$3,470,000,000 and US\$486,216,000 dual tranche transferable term loan facility with a greenshoe option for a term of 36 months and 24 months, respectively.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by

converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case under clause (i) or (ii) provided such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; 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 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.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Inc. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which

may be internal consolidated financial statements) (the 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 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 or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“GS Guarantee” means the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, and in relation to the GS ISDA Agreement.

“GS Hedging Obligations” means the amounts due to Goldman Sachs International from the Company and the Subsidiary Guarantors under the GS ISDA Agreement and the GS Guarantee.

“GS ISDA Agreement” means the swap transaction entered into by the Company with Goldman Sachs International pursuant to an ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International, each dated June 30, 2016.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited and its successors.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred and Incurring have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;

- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a business of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be Indebtedness so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph 2(f) under the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant, or (b) the net amount payable if such Hedging Obligation terminated at that time due to default by such Person, if not Incurred under such covenant.

“Intercreditor Agreement” has the meaning set forth under “—Security”.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the Designation of Restricted and Unrestricted Subsidiaries and Limitation on Restricted Payments covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of Aaa, or Aa, A or Baa, as modified by a 1, 2 or 3 indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or 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 the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for 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.

“January 2022 Indenture” means the Indenture dated September 27, 2018, governing the January 2022 Notes, as amended and supplemented.

“January 2022 Notes” means the 7.125% Senior Notes due 2022 issued by the Company from time to time pursuant to the January 2022 Indenture.

“January 2022 Trustee” means the trustee under the January 2022 Indenture.

“January 2023 Indenture” means the Indenture dated January 17, 2018, governing the January 2023 Notes, as amended and supplemented

"January 2023 Notes" means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the January 2023 Indenture.

"January 2023 Trustee" means the trustee under the January 2023 Indenture.

"January 2024 Indenture" means the indenture dated September 27, 2018, governing the January 2024 Notes, as amended and supplemented.

"January 2024 Notes" means the 8.000% Senior Notes due 2024 issued by the Company from time to time pursuant to the January 2024 Indenture.

"January 2024 Trustee" means the trustee under the January 2024 Indenture.

"January 2025 Indenture" means the Indenture dated January 17, 2018, governing the January 2025 Notes, as amended and supplemented.

"January 2025 Notes" means the 5.125% Senior Notes due 2025 issued by the Company from time to time pursuant to the January 2025 Indenture.

"January 2025 Trustee" means the trustee under the January 2025 Indenture.

"Joint Venture" means the joint venture company to be established in connection with the Project by the Company (by itself or through its Restricted Subsidiaries) with entities not Affiliated with the Company, in which the Company will hold a minority equity interest in the joint venture company's total outstanding Capital Stock, or any successor thereof.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a joint venture in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"March 2021 Indenture" means the Indenture dated March 12, 2018 governing the March 2021 Notes, as amended and supplemented.

"March 2021 Notes" means the 5.8% Senior Notes due 2021 issued by the Company from time to time pursuant to the March 2021 Indenture.

"March 2021 Trustee" means the trustee under the March 2021 Indenture.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and 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.

“Moody’s” means Moody’s Investors Service, Inc. and its successors. Net Cash Proceeds means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment 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;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale,

including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non Residential Property Entity” means any Person not primarily engaged, directly or indirectly, in the acquisition, development and sale of residential property in the PRC.

“November 2018 Indenture” means the Indenture dated November 22, 2017 governing the November 2018 Notes, as amended and supplemented.

“November 2018 Notes” means the 3.875% Senior Notes due 2018 issued by the Company from time to time pursuant to the November 2018 Indenture.

“November 2018 Trustee” means the trustee under the November 2018 Indenture.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note 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 defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under such Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

“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 under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu* Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company or another Subsidiary Guarantor (including Additional Notes); provided that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption—Repurchase of Notes upon a Change of Control Triggering Event, or an Offer to Purchase in the manner described under the caption—Certain covenants—Limitation on Asset Sales or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or

consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) 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) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “—Certain covenants—Limitation on Asset Sales;”

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under the covenant described under “—Certain covenants—Limitation on Liens;”

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;

(13) advances to government authorities or government-affiliated entities in the People’s Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Company’s balance sheet;

(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 comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) Investments (other than Guarantees provided under paragraph (18) below) by the Company or any Restricted Subsidiary in the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture not to exceed an aggregate outstanding amount of RMB2.72 billion, which amount or amounts shall be determined at the time the relevant Investments are made, provided that the amount of any Investment not made in cash shall be the carrying or book value of such Investment as shown on the most recently available consolidated balance sheet of the Company (which may be internal consolidated balance sheet) at the time such Investment is made;

(18) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture, provided that such Guarantee is permitted to be Incurred under paragraph (2)(p) under "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an Associate), provided that:

(a) the aggregate of all Investments made by the Company or any Restricted Subsidiary in a Person (other than a Non-Residential Property Entity of which 50% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries) under this clause (19) after the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) after the Original Issue Date resulting from:

(i) 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),

(ii) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(iii) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash,

the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or

(iv) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person after the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(b) 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 (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such Investment complies with the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates;

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment under this clause (19), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock of such Associate, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under “—Certain covenants—Limitation on Restricted Payments” (including meeting the requirements of one of the other clauses set forth under this Permitted Investment definition) except for clause (4)(b) of the first paragraph of the covenant described under “—Certain covenants—Limitation on Restricted Payments;” and

(e) 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 paragraph (1) of the covenant under the caption—Certain covenants—Limitation of Indebtedness and Preferred Stock.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be determined at the time such Investment is made.

“Permitted Liens” means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and

diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "—Certain covenants—Limitation on

Indebtedness and Preferred Stock;" provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under—Security—Permitted *Pari Passu* Secured Indebtedness;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "—Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

- (22) Liens on assets securing Indebtedness permitted to be Incurred under clause (2)(o) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (26) Liens securing Indebtedness Incurred under clause (2)(t) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens securing Indebtedness Incurred under clause (2)(u) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (28) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(v) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (29) 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)(x) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (30) Liens securing or arising from Entrusted Loans; and
- (31) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary.

provided that, with respect to the Collateral, Permitted Liens shall only refer to the Liens described in clauses (1), (13) and (14) of this definition.

“Permitted *Pari Passu* Secured Indebtedness” has the meaning set forth under—Security—Permitted *Pari Passu* Secured Indebtedness.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the sum of the aggregate principal amount outstanding of (x) all such Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(d), 2(f), 2(g) and 2(m) and Subsidiary Guarantees or *Pari Passu* Subsidiary Guarantees permitted under clauses 2(a) and 2(b) of the covenant described under—Certain covenants—Limitation on

Indebtedness and Preferred Stock), (y) all Public Indebtedness of any Non-Guarantor Subsidiary that constitutes Acquired Indebtedness and (z) all Public Indebtedness that was Incurred by a Non-Guarantor Subsidiary by reason of such entity being a Subsidiary Guarantor prior to being designated as a New Non-Guarantor Subsidiary does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock as applied to the Capital Stock of any Person” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“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.

“PRC CJV” means any Subsidiary that is a sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, the Australian Securities Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Malaysian 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 a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) 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 (1) S&P, (2) Moody’s, (3) Fitch or (4) if S&P, Moody’s, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch or any of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: BB, B, CCC, CC, C, or D (or equivalent successor categories); and 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 B- 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 the caption “—Consolidation, merger and sale of assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (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 the caption “—Consolidation, merger and sale of assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) where the Notes are rated by three Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any 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 the rating of the Notes by the other two Rating Agencies shall both be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(B) where the Notes are rated by two Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(C) where the Notes are rated by one Rating Agency on the Rating Date,

(a) in the event the Notes are rated by such Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated below Investment Grade by such Rating Agency on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(D) where the Notes are not rated by any Rating Agency on the Rating Date, a Rating Decline is deemed to have occurred.

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (19) of the definition of Permitted Investment since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to

such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment definition.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee or the Intercreditor/Collateral Agent and/or any Holders in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“September 2023 Indenture” means the indenture dated September 28, 2016 governing the September 2023 Notes, as amended and supplemented.

“September 2023 Notes” means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the September 2023 Indenture.

“September 2023 Trustee” means the trustee under the September 2023 Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a significant subsidiary within the meaning of the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to 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.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is controlled and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be controlled by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of Designation of Restricted and Unrestricted Subsidiaries covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and

the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, 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 organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody’s or A-1 (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least A by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions (i) organized under the laws of the PRC, or (ii) made in the ordinary course of business.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

(1) only with respect to clause (2)(h) of “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant and the definition of Permitted Subsidiary Indebtedness, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(u) of “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Restricted Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor 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.

“Unrestricted Subsidiary” means, unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries,” Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV

Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Holding LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen) Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited and (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

Description of the April 2026 Notes

For purposes of this “Description of the April 2026 Notes,” the term “Company” refers only to Country Garden Holdings Company Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” For the purposes of this section, the term “Notes” refers to the April 2026 Notes.

The Notes are to be issued under an indenture (the “Indenture”) to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the Intercreditor Agreement. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at Citicorp International Limited, 39/F Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong.

Brief description of the Notes

The Notes are:

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

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

- be entitled to a first priority lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and

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

The Notes will mature on April 8, 2026 (the “Final Maturity Date”) unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “—Further issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the April 2026 Notes” include any Additional Notes that are actually issued. The Notes will bear interest at the rate per annum set forth on the cover page of this offering memorandum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on April 8 and October 8 of each year (each an “Interest Payment Date”), commencing October 8, 2019 provided that the final Interest Payment Date, assuming any Notes then remaining outstanding, shall be on the Final Maturity Date.

Interest on the Notes, when in the form of Global Notes, will be paid to holders of Notes (“Holders”) of record at the close of business on April 7 or October 7 and, when in the form of Certificated Notes, on March 24 or September 23, immediately preceding an Interest Payment Date (each, a “Record Date” and provided that the Record Date for any interest payment due on the Final Maturity Date shall be April 7, 2026 when the Notes are in the form of Global Notes, and March 24, 2026 when the Notes are in the form of Certificated Notes), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on, or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 1 North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, at the option of the Company, payment of interest may be made by check mailed at the expense of the Company to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Smart World Development Holdings Ltd, Angel View International Limited, Boavista

Investments Limited, Estonia Development Ltd, Falcon Investments Development Ltd, Impreza Group Limited, Infiniti Holdings Development Limited and Country Garden (Hong Kong) Development Company Limited. These Subsidiary Guarantors consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). All of the Subsidiary Guarantors are holding companies that do not have significant operations. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC and the Unrestricted Subsidiaries and the Restricted Subsidiaries organized under the laws of the PRC (collectively, the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date.

As used herein, "Non-Guarantor Restricted Subsidiaries" refers to the Restricted Subsidiaries that are not a Subsidiary Guarantor, including as of the Original Issue Date, the PRC Non-Guarantor Subsidiaries and the Company's other Restricted Subsidiaries organized outside of the PRC other than the Subsidiary Guarantors. The Non-Guarantor Restricted Subsidiaries together with the Unrestricted Subsidiaries are referred to herein as the "Non-Guarantor Subsidiaries."

None of the existing Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee unless designated as a Subsidiary Guarantor in accordance with the Indenture. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC or any Exempted Subsidiaries (as defined below) will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

As of December 31, 2018,

- the Company and its consolidated subsidiaries had total consolidated borrowings (including bank and other borrowings, senior notes, receipts under securitization arrangements, convertible bonds and corporate bonds) of approximately RMB329,269 million (US\$47,890 million), including short-term borrowings (including the current portion of long-term bank and other borrowings, receipts under securitization arrangements, senior notes, convertible bonds and corporate bonds) of RMB126,891 million (US\$18,456 million);
- the Company and its consolidated subsidiaries had contingent liabilities in relation to guarantees in respect of mortgage facilities for purchasers of approximately RMB319,239 million (US\$46,431 million) and guarantees for borrowings of joint ventures, associates and third parties of approximately RMB58,090 million (US\$8,449 million).

As of the date of this offering memorandum, our total indebtedness secured by the Collateral that is subject to the Intercreditor Agreement was approximately RMB95,005.0 million (US\$13,817.9 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Exempted Subsidiaries) as soon as practicable after it becomes a Restricted Subsidiary or, in the case of an Exempted Subsidiary, as soon as practicable after it ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (Restricted Subsidiaries other than those organized under the laws of the PRC that become Restricted Subsidiaries after the Original Issue Date and that do not provide Subsidiary Guarantees in accordance with the Indenture, the "New Non-Guarantor Restricted Subsidiaries"), provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20% of Total Assets.

So long as the Notes remain outstanding, the Company will, no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements), calculate and determine whether the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets. If, at such time of determination, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets, the Company must promptly (i) remove the designation of one or more Non-Guarantor Restricted Subsidiaries and cause such Non-Guarantor Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiaries will guarantee the payment of the Notes or (ii) designate one or more Non-Guarantor Restricted Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Non-Guarantor Restricted 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 favorable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) no longer exceed 20% of Total Assets. Such removal of designation as a Non-Guarantor Restricted Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 60 days after the date any semi-annual consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show

that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries) exceed 20% of Total Assets.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries 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 or after the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC will become "New Non-Guarantor Restricted Subsidiaries" (such that each New Non-Guarantor Restricted Subsidiary will no longer Guarantee the Notes) and (b) instruct the Collateral Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Restricted Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Restricted Subsidiary, (in each case, without any requirement to seek the consent or approval of the Holders of the Notes), provided that after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries) that are not a Subsidiary Guarantor (including the New Non-Guarantor Restricted 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 of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee or (b) requiring the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Company by such Subsidiary Guarantor.

In addition, subject to the limitations described in "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "—Security;" and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors—Risks relating to the Subsidiary Guarantees and the Collateral—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "—Defeasance—Defeasance and discharge;"
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, disposition or merger of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions "—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries," "—Certain covenants—Limitation on Asset Sales" and "—Consolidation, merger and sale of assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Restricted Subsidiary, in compliance with the terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries, except Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield

Limited, Dongguan River Bank Garden Property Development Co., Ltd, PT. Country Garden Indonesia, AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY Holding LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers’ Certificate stating that all requirements under the Indenture relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

Security

The Company has pledged, or caused the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Capital Stock of all of the initial Subsidiary Guarantors (the “Collateral”) on a first priority basis to The Bank of New York Mellon as collateral agent (for the benefit of the 2019 Private Notes Trustee, the 2020 Trustee, the 2021 Trustee, the September 2023 Trustee, the 2026 Trustee, the 2022 Trustee, the January 2023 Trustee, the January 2025 Trustee, the March 2021 Trustee, the January 2022 Trustee, the January 2024 Trustee, the 2023 CB Trustee, the April 2022 Trustee and each other holder of *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors under, the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed and the April 2022 Indenture) in order to secure the obligations of the Company and the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture and any other agreement with respect to other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors.

On the Original Issue Date, the Collateral will secure on a *pari passu* basis the obligations of the Company under, (i) the 2019 Private Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2019 Private Notes Indenture, (ii) the 2020 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2020 Indenture, (iii) the 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2021 Indenture, (iv) the September 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the September 2023 Indenture, (v) the 2026 Notes and the subsidiary guarantees provided by the Subsidiary Guarantors Pledgors under the 2026 Indenture, (vi) the 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2022 Indenture, (vii) the January 2023 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2023 Indenture, (viii) the January 2025 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2025 Indenture, (ix) the March 2021 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the March 2021 Indenture, (x) the January 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2022 Indenture, (xi) the January 2024 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the January 2024 Indenture, (xii) the 2023 CB and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2023 CB Trust Deed, (xiii) the April 2022 Notes and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the April 2022 Indenture, (xiv) the 2015 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2015 Facility Agreement, (xv) the 2016 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2016 Facility Agreement, (xvi) the 2017 Club Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2017 Facility Agreement, (xvii) the 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the 2018 Facility Agreement, (xviii) the December 2018 Loan and the subsidiary guarantees provided by the Subsidiary Guarantor Pledgors under the December 2018 Facility Agreement, (xix) the GS Hedging Obligations, (xx) the DB Hedging Obligations and (xxi) the Notes and the Subsidiary Guarantees provided by the Subsidiary Guarantor Pledgors under the Indenture and (xxii) any other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors. See “—Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are Smart World Development Holdings Ltd, Infiniti Holdings Development Limited, Falcon Investments Development Ltd, and Impreza Group Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC and other Non-Guarantor Subsidiaries) after the Original Issue Date, within 30 days after such Person has become a Restricted Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, to secure (subject to Permitted Liens and the Intercreditor Agreement) the obligations of the Company under the

Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges 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."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes, the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors or other Secured Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date and subject to the Indenture, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) or any Subsidiary Guarantor and any *Pari Passu* Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such *Pari Passu* Subsidiary Guarantee, "Permitted *Pari Passu* Secured Indebtedness"); provided that (1) the Company or such Subsidiary Guarantor was permitted to incur such Indebtedness under the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (other than Additional Notes) (or their representative, trustee or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such *Pari Passu* Subsidiary Guarantee that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officers' Certificate with respect to compliance with the conditions stated immediately above and other corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents, the Indenture or the Intercreditor Agreement and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below 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 will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, and The Bank of New York Mellon solely in its capacity as collateral agent and intercreditor agent (in each case referred to herein as the “Intercreditor/Collateral Agent”), among others, are party to an intercreditor agreement dated September 10, 2009. The intercreditor agreement has been amended and supplemented by supplemental intercreditor agreements on September 23, 2009, April 22, 2010, August 11, 2010, February 23, 2011, January 10, 2013, October 4, 2013, May 27, 2014, June 5, 2014, December 17, 2014, December 18, 2014, March 9, 2015, September 28, 2016, December 15, 2016, March 16, 2017, May 9, 2017, July 25, 2017, November 6, 2017, November 30, 2017, January 17, 2018, January 30, 2018, March 12, 2018, September 27, 2018, December 5, 2018 and January 25, 2019 (the intercreditor agreement as amended and supplemented on such dates or otherwise, the “Existing Intercreditor Agreement”) and the following parties have acceded to the intercreditor agreement: the trustee on behalf of the holders of the 11.750% Senior Notes due 2014 (which have been fully redeemed), the trustee on behalf of the holders of the 11.250% Senior Notes due 2017 (which have been fully redeemed), the trustee on behalf of the holders of the 10.500% Senior Notes due 2015 (which have been fully redeemed), the trustee on behalf of the holders of the 11.125% Senior Notes due 2018 Notes (which have been fully redeemed), the trustee on behalf of the holders of the 7.50% Senior Notes due 2023 (which have been fully redeemed), the 2021 Trustee on behalf of the holders of the 2021 Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes (which have been fully redeemed), the 2019 Trustee on behalf of the holders of the 2019 Notes (which have been fully redeemed), the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the holders of the 2022 Notes, the November 2018 Trustee on behalf of the holders of the November 2018 Notes (which have been fully redeemed), the January 2023 Trustee on behalf of the holders of the January 2023 Notes, the January 2025 Trustee on behalf of the holders of the January 2025 Notes, the March 2021 Trustee on behalf of the holders of the March 2021 Notes, the January 2022 Trustee on behalf of the holders of the January 2022 Notes, the January 2024 Trustee on behalf of the holders of the January 2024 Notes, the 2019 CB Trustee on behalf of the holders of the 2019 CB (which have been fully redeemed), the 2023 CB Trustee on behalf of the holders of the 2023 CB, the April 2022 Trustee on behalf of the holders of the April 2022 Notes, the 2014 Facility Agent on behalf of the lenders of the 2014 Club Loan (which have been fully repaid), the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, the 2018 Facility Agent on behalf of the lenders of the 2018 Loan, the December 2018 Facility Agent on behalf of the lender of the December 2018 Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and any other trustee on behalf of any other *pari passu* secured indebtedness of the Company. On or prior to the Original Issue Date, the Trustee on behalf of the holders of the Notes will have entered into a supplement to the Existing Intercreditor Agreement with the parties to the Existing Intercreditor Agreement to

supplement and amend the Existing Intercreditor Agreement (the Existing Intercreditor Agreement as supplemented and amended from time to time pursuant to the terms thereof is herein referred to as the "Intercreditor Agreement").

Under the Intercreditor Agreement, the 2019 Private Notes Trustee on behalf of the holders of the 2019 Private Notes, the 2020 Trustee on behalf of the holders of the 2020 Notes, the 2021 Trustee on behalf of the holders of the 2021 Notes, the September 2023 Trustee on behalf of the holders of the September 2023 Notes, the 2026 Trustee on behalf of the holders of the 2026 Notes, the 2022 Trustee on behalf of the 2022 Notes, the January 2023 Trustee on behalf of the holders of the January 2023 Notes, the January 2025 Trustee on behalf of the holders of the January 2025 Notes, the March 2021 Trustee on behalf of the holders of the March 2021 Notes, the January 2022 Trustee on behalf of the holders of the January 2022 Notes, the January 2024 Trustee on behalf of the holders of the January 2024 Notes, the 2023 CB Trustee on behalf of the holders of the 2023 CB, the April 2022 Trustee on behalf of the holders of the April 2022 Notes, the 2015 Facility Agent on behalf of the lenders of the 2015 Club Loan, the 2016 Facility Agent on behalf of the lenders of the 2016 Club Loan, the 2017 Facility Agent on behalf of the lenders of the 2017 Club Loan, the 2018 Facility Agent on behalf of the lenders of the 2018 Loan, the December 2018 Facility Agent on behalf of the lender of the December 2018 Loan, Goldman Sachs International as beneficiary of the GS Hedging Obligations under the ISDA Agreement and the GS Guarantee, Deutsche Bank AG as beneficiary of the DB Hedging Obligations under the DB Agreement and the DB Guarantee and the Trustee on behalf of the holders of the Notes (collectively with each holder (or its trustee or representative) of *pari passu* secured indebtedness permitted under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations and the DB Hedging Obligations who becomes a party to the Intercreditor Agreement pursuant to the terms thereof, the "Secured Parties") will have appointed The Bank of New York Mellon to act as the Intercreditor/Collateral Agent with respect to the Collateral securing the obligations under the 2019 Private Notes Indenture, the 2020 Indenture, the 2021 Indenture, the September 2023 Indenture, the 2026 Indenture, the 2022 Indenture, the January 2023 Indenture, the January 2025 Indenture, the March 2021 Indenture, the January 2022 Indenture, the January 2024 Indenture, the 2023 CB Trust Deed, the April 2022 Indenture, the 2015 Club Loan, the 2016 Club Loan, the 2017 Club Loan, the 2018 Loan, the December 2018 Loan, the GS Hedging Obligations, the DB Hedging Obligations and the Indenture (collectively with any other *pari passu* secured indebtedness of the Company and the Subsidiary Guarantors, the "Secured Obligations"), to exercise remedies in respect thereof upon the occurrence of an event of default under the Secured Obligations and to act as specified in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (1) the parties thereto shall share equal priority and pro rata entitlement in and to the Collateral, (2) the conditions under which the parties thereto will consent to the release of such Collateral, and (3) the conditions under which the parties thereto may enforce their rights with respect to such Collateral and the Indebtedness secured thereby.

Enforcement of security

The Intercreditor/Collateral Agent has agreed to act as secured party on behalf of the Secured Parties to follow the instructions provided to it under the Intercreditor Agreement and to carry out certain other duties.

The Intercreditor Agreement will provide, among other things, that each of the Secured Parties may direct the Intercreditor/Collateral Agent to initiate enforcement against the Collateral secured for the benefit of such Secured Party after notice to the other Secured Parties. In the event that the Secured Parties have not agreed to initiate enforcement, then, twenty business days after the non-enforcing parties shall have been notified of the intent to initiate enforcement against any of the Collateral, the enforcing party may direct the Intercreditor/Collateral Agent to commence enforcement proceedings in accordance with the terms of the Secured Obligations; provided that all direction with respect to the further timing and manner of such exercise following such commencement shall be given by the Secured Parties.

The Intercreditor Agreement will provide that all payments received and all amounts held by the Intercreditor/Collateral Agent in respect of the Collateral will be applied as follows:

first, to the ratable payment of the expenses of such sale or other realization, including but not limited to compensation to the Intercreditor/Collateral Agent and all expenses, liabilities and advances incurred or made by the secured parties in connection therewith, and any other unreimbursed expenses for which such parties are to be reimbursed pursuant to the secured party documents, and to the ratable payment of any other unreimbursed expenses for which a Secured Party is to be reimbursed pursuant to the secured party documents;

second, to the ratable payment of accrued but unpaid interest on the Secured Obligations;

third, to the ratable payment of unpaid principal of the Secured Obligations;

fourth, to any make-whole premium or any other premium payable pursuant to the secured party documents;

fifth, to the ratable payment of all other Secured Obligations, until all Secured Obligations shall have been paid in full; and

finally, any surplus remaining after such payments to the Company or the Subsidiary Guarantor Pledgors or their successors or assigns, or to whomever may be lawfully entitled thereto.

Release of security

At any time and from time to time, the Intercreditor/Collateral Agent shall release the Collateral with the prior written consent of the Secured Parties and in accordance with the provisions of the Intercreditor Agreement.

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance and discharge of the Notes as provided below under the caption “—Defeasance—Defeasance and discharge;”
- upon dispositions of such Collateral in compliance with the covenants under the captions “Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries” or “—Limitation on Asset Sales” or in accordance with the provision under the caption “—Consolidation, merger and sale of assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- with respect to security granted by any Subsidiary Guarantor and security over the Capital Stock of any Subsidiary Guarantor, upon such Subsidiary Guarantor becoming a New Non-Guarantor Restricted Subsidiary;
- with respect to any security over any Capital Stock of any Subsidiary Guarantor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor; and
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary, and in accordance with the terms of the Indenture.

Further issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under “Limitation on Indebtedness and Preferred Stock” covenant described below and the other provisions of the Indenture.

Optional redemption

At any time and from time to time on or after April 8, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the 12 month period beginning on April 8 of each of the years as indicated below.

Period	Redemption Price
2023	103.625%
2024	101.8125%
2025 and thereafter	100%

At any time prior to April 8, 2023, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days’ nor more than 60 days’ notice

of any redemption. Neither the Trustee nor any of the Agents will be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to April 8, 2023, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 107.25% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will in a timely manner repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control

Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors—Risks relating to the Notes—We may not be able to repurchase the 2021 Notes, the Private Notes, the 2020 Notes, the September 2023 Notes, the 2026 Notes, the 2022 Notes, the January 2023 Notes, the January 2025 Notes, the March 2021 Notes, the January 2022 Notes, the January 2024 Notes, the 2023 CB, the April 2022 Notes, the Notes or any other *pari passu* secured indebtedness of the Company with relevant Change of Control Triggering Event provision upon a change of control triggering event."

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Company. Although there is a limited body of case law interpreting the phrase "substantially all," no precise definition of the phrase has been established. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group is uncertain and will be dependent upon particular facts and circumstances.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional amounts

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any

present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption “—Consolidation, merger and sale of assets”) or an applicable Subsidiary Guarantor is organized or resident for tax purposes or which is imposing such withholding or deduction because of a connection between the Company, the Surviving Person or the Subsidiary Guarantor and such jurisdiction (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. 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; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for taxation reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable written notice in advance of such notice to Holders to the Trustee and the Paying Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor, as

the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be canceled.

Certain covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Company and any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary (other than a Subsidiary Guarantor) to Incur any Disqualified Stock or Preferred Stock (other than Disqualified Stock or Preferred Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted *Pari Passu* Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(b) any *Pari Passu* Subsidiary Guarantees by any Subsidiary Guarantor;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors) shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (a) and (b) above and clauses (d), (f), (g) and (m) below);

(d) Indebtedness of the Company or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Company or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this sub-clause (d) and (ii) if the Company or any Subsidiary Guarantor is the obligor and neither the Company nor any Subsidiary Guarantors is an obligee on such Indebtedness, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

(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, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have correlative meanings), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (q), (r), (s), (t), (u), (v), or (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (iii) in no

event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any of its Restricted Subsidiaries from 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, 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 a Restricted Subsidiary; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (p), (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later

than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

(m) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the covenant under the caption “—Limitation on issuances of Guarantees by Restricted Subsidiaries”;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 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\$15.0 million (or the Dollar Equivalent thereof);

(p) Indebtedness of the Company or any Restricted Subsidiary arising from Guarantees of Indebtedness of the Joint Venture or any of its Subsidiaries in an aggregate outstanding amount not to exceed RMB1.70 billion, provided that on the date of Incurrence of the relevant Indebtedness by the Joint Venture or its Subsidiaries and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (p) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (p) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) above or clause (q), (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(q) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of Preferred Stock and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (q) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h) or (p) above or clause (r), (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred any of such clauses 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) Bank Deposit Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (r) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p) or (q) above or clause (s), (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (s) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q) or (r) above or clause (t), (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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 the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than a Restricted Subsidiary or an individual or natural person) by the Company or such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (t) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r) or (s) above or clause (u), (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(u) Acquired Indebtedness of any Person 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 sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (u) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s) or (t) above or clause (v) or (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(v) Indebtedness Incurred by the Company or any Restricted Subsidiary which is secured by Investment Properties or fixed assets, 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 sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (v) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (v) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clause (h), (p), (q), (r), (s), (t) or (u) above or clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under any of such clauses 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;

(w) Unrestricted Subsidiary Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate outstanding principal amount of all Indebtedness Incurred under this clause (w) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to sub-clauses (h), (p), (q), (r), (s), (t), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred such clauses 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

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement, provided that such Person is either a Restricted Subsidiary or would become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness, provided that any Indebtedness Incurred under clause (p) of part (2) of this "Limitation on Indebtedness and Preferred Stock" covenant shall not so be reclassified.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable or paid in shares of the Company's or any of its Restricted Subsidiaries' Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options,

warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;

(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 (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock;” or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after September 10, 2009, including, for the avoidance of doubt, any payment described in clauses (1) through (4) above made after September 10, 2009 and prior to the Original Issue Date that would have constituted a “Restricted Payment” under the Indenture had it been in effect at the time of such payment, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning July 1, 2009 and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after September 10, 2009 as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(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 September 10, 2009 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 sum of:

(A) (1) the net reduction in Investments (that were made after September 10, 2009 and that would have been treated as Restricted Payments herein had the Indenture been in effect at such time) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person, (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, would have constituted a Restricted Payment herein had the Indenture been in effect at such time) provided by the Company or a Restricted Subsidiary or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since September 10, 2009 shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person would not have been Permitted Investments herein at the time such Investments were made had the Indenture been in effect at such time; or (2) to the extent that an Investment made after September 10, 2009 (that would have been treated as a Restricted Payment herein had the Indenture been in effect at such time) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary under the Indenture;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and that would have been treated as Restricted Payments under the Indenture had the Indenture been in effect at such time) by the Company or any Restricted Subsidiary in such Person, and provided further, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Restricted Subsidiary (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 are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least 50.0% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the repurchase of Capital Stock of the Company by the Company or Power Great Enterprises Limited in connection with the Company's employee incentive or stock option plans up to an aggregate amount of US\$37.5 million;
- (7) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(q) of the "Limitation on Indebtedness and Preferred Stock" covenant; provided that any interest expenses or dividend distributions made under such Indebtedness or Preferred Stock are treated as a Consolidated Fixed Charge;
- (8) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (9) 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 or 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 (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) 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 less than or equal to the Fair Market Value of such Capital Stock; or

(10) any Guarantee by the Company or any Restricted Subsidiary permitted to be Incurred under the covenant described under paragraph (2)(t) of the "Limitation on Indebtedness and Preferred Stock" covenant;

provided that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after September 10, 2009 shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "—Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "—Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "—Limitation on Restricted Payments" covenant and paragraph (19) of the definition of "Permitted Investment" at any time, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of clause (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted *Pari Passu* Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or *Pari Passu* Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries,” “—Limitation on Indebtedness and Preferred Stock” and “—Limitation on Asset Sales” covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock of the type described under clause (2)(h), (2)(n), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or 2(x) or permitted under clause (2)(o) of the "Limitation on Indebtedness and Preferred Stock" covenant if, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the 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, provided further 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;

(g) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (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 to make required payments under its Subsidiary Guarantee, provided further 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 the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, 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.

Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "—Limitation on Asset Sales" covenant; provided further that, paragraph (19)(f) of the definition of "Permitted Investments" shall not apply if such Investment would otherwise have been permitted under paragraph (19) of such definition; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); provided that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "—Limitation on Asset Sales" covenant.

Limitation on issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee 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 until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (d) or (2)(r) (in the case of clause (2)(r), with respect to the Guarantee provided by the Company or any Restricted Subsidiary through the pledge of one or more bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instruments to Guarantee) any Bank Deposit Secured Indebtedness), under the caption "—Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any 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 (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the Guarantee of such

Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on transactions with shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such 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\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other compensation for their service as board members to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption "—Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as

such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a Restructuring Group entered into in connection with a proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with such proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with such proposed Restructuring; and

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in a 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 a proposed Restructuring, or any amendment or modification or 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 such proposed Restructuring and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (19) of the definition of "Permitted Investments" but otherwise excluding any other Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or by reason of being a Subsidiary of the Company or between or among the Company or a Restricted Subsidiary on the one hand and a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary on the other hand; provided that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) (A) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of such minority shareholder or minority partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company; or (B) in the case of a transaction with a Jointly Controlled Entity, an Associate or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Jointly Controlled Entity, Associate or Unrestricted Subsidiary or by reason of such shareholder or partner being a Subsidiary, Jointly Controlled Entity or Associate of the Company).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Company or any Restricted Subsidiary could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$30.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an

accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company invest such Net Cash Proceeds in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US\$25.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$25.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest of the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Use of proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified under the caption "Use of proceeds" in this offering memorandum or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "—Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "—Limitation on Indebtedness and Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption "—Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a

Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor if required under “—The Subsidiary Guarantees”; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged if required under “—Security.”

Government approvals and licenses; compliance with law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the businesses of the Company or any of its Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any 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, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of certain covenants

If, on any date following the date of the Indenture, the Notes (A)(i) are rated by two Rating Agencies and have a rating of Investment Grade from both of the Rating Agencies, or (ii) are rated by three Rating Agencies and have a rating of Investment Grade from two out of three of the Rating Agencies, and (B) no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies (in the case of (A)(i) above, or from two out of three of the Rating Agencies (in the case of (A)(ii) above), the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”
- (2) “—Certain covenants—Limitation on Restricted Payments;”
- (3) “—Certain covenants—Limitation on dividend and other payment restrictions affecting Restricted Subsidiaries;”

(4) “—Certain covenants—Limitation on sales and issuances of Capital Stock in Restricted Subsidiaries;”

(5) “—Certain covenants—Limitation on issuances of Guarantees by Restricted Subsidiaries;”

(6) “—Certain covenants—Limitation on Sale and Leaseback Transactions;” and

(7) “—Certain covenants—Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under “—Certain covenants—Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of financial statements and reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange or any other recognized exchange on which the Company’s common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee (in the English language) and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation, provided that, the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Further, the Company and each Subsidiary Guarantor have agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which the Company or such Subsidiary Guarantor is neither subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company or such Subsidiary Guarantor, as the case may be, shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of Rule 144A(d)(4) under the Securities Act upon the request of any Holder or beneficial owner of a Note.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "—Consolidation, merger and sale of assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain covenants—Limitation on Asset Sales" or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority lien on the Collateral (subject to any

Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption “—Security;”

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Significant Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company);

(9) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Intercreditor/Collateral Agent or the Trustee, as the case may be, ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, subject to being indemnified and/or secured to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may but will not be obligated to pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the

proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Intercreditor/Collateral Agent to, subject to being indemnified and/or secured to its satisfaction, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Intercreditor/Collateral Agent or the Trustee, as the case may be, deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

No Holder may institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity and/or security; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder 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.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and the Subsidiary Guarantors’ performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “—Certain covenants—Provision of financial statements and reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Company is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Company is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on any opinion of counsel or officer's certificate regarding whether an Event of Default or Default has occurred.

Consolidation, merger and sale of assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption

“—Consolidation, merger and sale of assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No 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), unless:

(1) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock;”

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “—Certain covenants—Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “—The Subsidiary Guarantees—Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

No payments for consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, subject to applicable law, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange offer, the Company may exclude or modify the offer or payment to: (i) holders or beneficial owners of the Notes that are believed by the Company to be U.S. persons as defined in Regulation S of the Securities Act and not institutional "accredited investors" as defined in subparagraphs (a)(1), (2), (3) or (7) of Rule 501 under the Securities Act, and (ii) holders or beneficial owners of the Notes in any other jurisdiction, in either case where the inclusion of such holders or beneficial owners would, without such modification if applicable, require the Company to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion and the Trustee shall not have any responsibility or liability for such determination by the Company.

Defeasance

Defeasance and discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money and/or U.S. 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 Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of,

premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees with respect thereto will terminate.

Defeasance of certain covenants

The Indenture further will provide that the provisions of the Indenture with respect to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under “—Consolidation, merger and sale of assets” and all the covenants described herein under “—Certain covenants,” other than as described under “—Certain covenants—Government approvals and licenses; compliance with law” and “—Certain covenants—Anti-Layering,” clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “Consolidation, merger and sale of assets” and with respect to the other events set forth in such clause, clause (4) under “Events of Default” with respect to such other covenants and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and certain other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture 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 that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and waiver

Amendments without consent of holders

The Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under “—Consolidation, merger and sale of assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (10) permit Permitted *Pari Passu* Secured Indebtedness (including, without limitation, permitting the Trustee and the Intercreditor/Collateral Agent to enter into any amendments to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted *Pari Passu* Secured Indebtedness, in accordance with the Indenture);
- (11) to conform the text of the Indenture, the Notes or the Subsidiary Guarantees to any provision of this “Description of the April 2026 Notes;” or
- (12) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments with consent of Holders

Amendments of the Indenture, the Notes, the Subsidiary Guarantees, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the Trustee and the Intercreditor/Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors and the Subsidiary Guarantor Pledgors with any provision of the Indenture, the Notes, the Subsidiary Guarantees, any Security Document or Intercreditor Agreement; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale 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;

(13) consent to the assignment or transfer by the Company or any Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees, except as permitted pursuant to the provisions described under “Consolidations, merger and sale of assets, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or the event giving rise to the repurchase of the Notes under “—Certain covenants—Limitation on Asset Sales;”

(14) change the redemption date or the redemption price of the Notes from that stated under the captions “—Optional redemption” or “—Redemption for taxation reasons;”

(15) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(16) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No personal liability of incorporators, stockholders, officers, directors or employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee, and the Agents

Citicorp International Limited has been appointed as Trustee under the Indenture and Citibank N.A., London Branch has been appointed as the paying agent, the registrar and the transfer agent (the “Paying Agent”, “Registrar” and “Transfer Agent”, respectively) with regard to the Notes. The Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; provided, however, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders of the Notes, it must eliminate such conflict or resign.

Subject to the Intercreditor Agreement, The Bank of New York Mellon will initially act as Intercreditor/Collateral Agent or Trustee, as the case may be, under the Intercreditor Agreement and the Security Documents in respect of the Security over the Collateral. The Intercreditor/Collateral Agent or the Trustee, as the case may be, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Indenture, the Intercreditor Agreement and the Security Documents. Under certain circumstances, the Intercreditor/Collateral Agent or the Trustee, as the case may be, may have obligations under the Intercreditor Agreement and the Security Documents that are in conflict with the interests of the Holders. The Intercreditor/Collateral Agent or the Trustee, as the case may be, will be under no obligation to exercise any rights or powers conferred under the Indenture, the Intercreditor Agreement or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Intercreditor/Collateral Agent or the Trustee, as the case may be, indemnity and/or security satisfactory to the Intercreditor/Collateral Agent or the Trustee, as the case may be, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Intercreditor/Collateral Agent or the Trustee, as the case may be, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Intercreditor/Collateral Agent or the Trustee, as the case may be, in respect of such risks.

The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be responsible for the value of the Collateral nor any liability for the validity, sufficiency or enforceability thereof. The Intercreditor/Collateral Agent or the Trustee, as the case may be, shall not be liable to any Holders or any other person for any action taken by the Holders or the Intercreditor/Collateral Agent or the Trustee, as the case may be, in accordance with the instructions of the Holders.

The Trustee is entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to it against any loss, liability or expense. In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Company and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

Neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent will be responsible for making calculations or for verifying calculations performed by the Company or any other persons unless otherwise specified in the Indenture. Specifically, neither the Trustee, the Registrar, the Paying Agent or the Transfer Agent would be responsible for the calculation or verification of the Applicable Premium.

The Trustee shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event.

Book-entry; delivery and form

The certificates representing the Notes will be issued in fully registered form without interest coupons (the "Global Notes" and each a "Global Note"). Beginning on the Original Issue Date and ending 40 days after the Original Issue Date (the "Resale Restriction Period"), beneficial interests in a Global Note may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases in accordance with any applicable securities laws of any State of the United States.

On the Original Issue Date, the Global Notes will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Notes (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "—Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Notes

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional amounts.”

Under the terms of the Indenture, the Company, the Trustee and the Agents will treat the registered holder of the Global Notes (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event a Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part only.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Certificate are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an

Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in the Global Notes for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor, as the case may be, at Suite 1702, 17/F., Dina House, Ruttonjee Center, 11 Duddell Street, Central, Hong Kong and (if intended for the Trustee) addressed to the Trustee at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with the applicable procedures of Euroclear or Clearstream).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules

and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, or if by mail, when so sent or deposited.

Consent to jurisdiction; service of process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Service Inc. for receipt of service of process in any such suit, action or proceeding.

Governing law

Each of the Notes, the Subsidiary Guarantees, the Indenture and the Intercreditor Agreement provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The existing Security Documents are governed by the laws of Hong Kong.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the April 2026 Notes" for which no definition is provided.

"2015 Club Loan" means the HK\$1,224 million and US\$818 million equivalent dual tranche transferable term loan facility.

"2015 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2015 Club Loan.

"2015 Facility Agreement" means the credit agreement for the 2015 Club Loan.

"2016 Club Loan" means the HK\$3,790.0 million (which may be increased upon accession of lenders) and US\$1,014.1 million (which may be increased upon accession of lenders) equivalent dual tranche transferable term loan facility.

"2016 Facility Agent" means Bank of China (Hong Kong) Limited, the facility agent under the 2016 Club Loan.

"2016 Facility Agreement" means the facility agreement for the 2016 Club Loan.

"2017 Club Loan" means the HK\$2,454 million (which may be increased upon accession of lenders) and US\$945 million (which may be increased upon accession of lenders) dual tranche transferable term loan facility.

"2017 Facility Agent" means China Construction Bank Corporation, Hong Kong Branch, the facility agent under the 2017 Club Loan.

"2017 Facility Agreement" means the facility agreement for the 2017 Club Loan.

"2018 Loan" means the €300 million term loan facility.

"2018 Facility Agreement" means the facility agreement for the 2018 Loan.

"2019 CB" means the Zero Coupon Secured Guaranteed Convertible Bonds due 2019 issued by the Company to the 2019 CB Trustee.

"2019 CB Trustee" means the trustee under the 2019 CB Trust Deed.

"2019 CB Trust Deed" means the trust deed dated January 30, 2018 governing the 2019 CB.

"2019 Indenture" means the Indenture dated May 17, 2014 governing the 2019 Notes, as amended and supplemented.

"2019 Notes" means the 7.875% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Indenture.

"2019 Trustee" means the trustee under the 2019 Indenture.

"2019 Private Notes" means the 7.50% Senior Notes due 2019 issued by the Company from time to time pursuant to the 2019 Private Notes Indenture.

"2019 Private Notes Indenture" means the indenture dated June 5, 2014 governing the 2019 Private Notes, as amended and supplemented.

"2019 Private Notes Trustee" means the trustee under the 2019 Private Notes Indenture.

"2020 Indenture" means the indenture dated March 9, 2015 governing the 2020 Notes, as amended and supplemented.

"2020 Notes" means the 7.50% Senior Notes due 2020 issued by the Company from time to time pursuant to the 2020 Indenture.

"2020 Trustee" means the trustee under the 2020 Indenture.

"2021 Indenture" means the indenture dated October 4, 2013 governing the 2021 Notes, as amended and supplemented.

"2021 Notes" means the 7.25% Senior Notes due 2021 issued by the Company from time to time pursuant to the 2021 Indenture.

"2021 Trustee" means the trustee under the 2021 Indenture.

"2022 Indenture" means the indenture dated July 25, 2017 governing the 2022 Notes, as amended and supplemented.

"2022 Notes" means the 4.75% Senior Notes due 2022 issued by the Company from time to time pursuant to the 2022 Indenture.

"2022 Trustee" means the trustee under the 2022 Indenture.

"2023 CB" means the 4.5% secured guaranteed convertible bonds due 2023 issued by the Company to the 2023 CB Trustee.

"2023 CB Trustee" means the trustee under the 2023 CB Trust Deed.

"2023 CB Trust Deed" means the trust deed dated December 5, 2018 governing the 2023 CB.

“2026 Indenture” means the indenture dated December 15, 2016 governing the 2026 Notes, as amended and supplemented.

“2026 Notes” means the 5.625% Senior Notes due 2026 issued by the Company from time to time pursuant to the 2026 Indenture.

“2026 Trustee” means the trustee under the 2026 Indenture.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Acquisition Fair Value Gain” means any fair value gain, or negative goodwill, arising from the difference in the acquisition consideration and the fair value of net assets in connection with a purchase or acquisition of any property project or a purchase, redemption or acquisition of Capital Stock of any Restricted Subsidiary primarily engaged in the acquisition, development and sale of property projects.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after April 8, 2023 yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, control (including, with correlative meanings, the terms controlling, controlled by and under common control with), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the

redemption price of such Note on April 8, 2023 (such redemption price being set forth in the table appearing under the caption “—Optional Redemption”), plus all required remaining scheduled interest payments due on such Note through April 8, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“April 2022 Indenture” means the Indenture dated January 25, 2019 governing the April 2022 Notes, as amended and supplemented.

“April 2022 Notes” means the 7.125% Senior Notes due 2022 issued by the Company from time to time pursuant to the April 2022 Indenture.

“April 2022 Trustee” means the trustee under the April 2022 Indenture.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that Asset Sale shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain covenants—Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption—Consolidation, merger and sale of assets; and

(7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“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 a pledge of one or more bank accounts or deposits 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 U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any person (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are collectively the beneficial owners of less than 30% of the total voting power of the Voting Stock of the Company;

(4) 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;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) 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.

“Clearstream” means Clearstream Banking S.A.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Company or the initial Subsidiary Guarantor Pledgors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to 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 Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security or securities having a maturity comparable to April 8, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to April 8, 2023.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Trustee) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonably best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including, for the avoidance of doubt, capitalized interest included in cost of sales,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets not included in the calculation of Consolidated EBITDA), including, for the avoidance of doubt, corporate income tax and land appreciation tax, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than gains on Investment Properties arising from fair value adjustments made in conformity with GAAP and Acquisition Fair Value Gains),

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), in each case only to the extent that such interest has become payable by the Company or any Restricted Subsidiary and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains (other than Acquisition Fair Value Gains),

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to

Consolidated Net Income; (B) for purposes of the Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income; and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet (which may be an internal consolidated balance sheet) of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real

or personal property or equipment to be used in a business of the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to manage exposure to fluctuations in foreign exchange rates.

“DB Guarantee” means the guarantees entered into by the Subsidiary Guarantors dated May 9, 2017, and in relation to the DB ISDA Agreement.

“DB Hedging Obligations” means the amounts due to Deutsche Bank AG from the Company and the Subsidiary Guarantors under the DB ISDA Agreement and the DB Guarantee.

“DB ISDA Agreement” means the swap transaction entered into by the Company with Deutsche Bank AG pursuant to an ISDA 2002 Master Agreement as modified by the First Amendment Agreement entered into by the Company and Deutsche Bank AG dated May 9, 2017.

“December 2018 Facility Agent” means the facility agent for the benefit of the lender of the December 2018 Loan.

“December 2018 Facility Agreement” means the credit agreement for the December 2018 Loan.

“December 2018 Loan” means the HK\$3,470,000,000 and US\$486,216,000 dual tranche transferable term loan facility with a greenshoe option for a term of 36 months and 24 months, respectively.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “—Certain covenants—Limitation on Asset Sales” and “—Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by

converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Non-Guarantor Restricted Subsidiary from the Company or another Restricted Subsidiary (whether directly or through or facilitated by a bank or other financial institution), provided that such borrowings are not reflected on the consolidated balance sheet of the Company.

“Equity Offering” means (i) any bona fide underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price, in each case under clause (i) or (ii) provided such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Intercreditor Agreement; 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 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.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Inc. and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarter periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which

may be internal consolidated financial statements) (the 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 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 or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“GS Guarantee” means the guarantee entered into by the Company, the Subsidiary Guarantors and Goldman Sachs International dated June 30, 2016, and in relation to the GS ISDA Agreement.

“GS Hedging Obligations” means the amounts due to Goldman Sachs International from the Company and the Subsidiary Guarantors under the GS ISDA Agreement and the GS Guarantee.

“GS ISDA Agreement” means the swap transaction entered into by the Company with Goldman Sachs International pursuant to an ISDA 2002 Master Agreement as modified by the schedule to the 2002 Master Agreement entered into by the Company and Goldman Sachs International, each dated June 30, 2016.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term Guarantee used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Hong Kong Stock Exchange” means The Stock Exchange of Hong Kong Limited and its successors.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms Incurrence, Incurred and Incurring have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;

- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a business of the Company or any of its Restricted Subsidiaries or any Entrusted Loan; provided that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be Indebtedness so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to (a) zero if Incurred pursuant to paragraph 2(f) under the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant, or (b) the net amount payable if such Hedging Obligation terminated at that time due to default by such Person, if not Incurred under such covenant.

“Intercreditor Agreement” has the meaning set forth under “—Security”.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the Designation of Restricted and Unrestricted Subsidiaries and Limitation on Restricted Payments covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company’s proportionate interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of AAA, AA, A or BBB, as modified by a + or – indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, a rating of Aaa, or Aa, A or Baa, as modified by a 1, 2 or 3 indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or 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 the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody’s or Fitch or any of them, as the case may be.

“Investment Property” means any property that is owned and held by the Company or any Restricted Subsidiary primarily for 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.

“January 2022 Indenture” means the Indenture dated September 27, 2018, governing the January 2022 Notes, as amended and supplemented.

“January 2022 Notes” means the 7.125% Senior Notes due 2022 issued by the Company from time to time pursuant to the January 2022 Indenture.

“January 2022 Trustee” means the trustee under the January 2022 Indenture.

“January 2023 Indenture” means the Indenture dated January 17, 2018, governing the January 2023 Notes, as amended and supplemented

"January 2023 Notes" means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the January 2023 Indenture.

"January 2023 Trustee" means the trustee under the January 2023 Indenture.

"January 2024 Indenture" means the indenture dated September 27, 2018, governing the January 2024 Notes, as amended and supplemented.

"January 2024 Notes" means the 8.000% Senior Notes due 2024 issued by the Company from time to time pursuant to the January 2024 Indenture.

"January 2024 Trustee" means the trustee under the January 2024 Indenture.

"January 2025 Indenture" means the Indenture dated January 17, 2018, governing the January 2025 Notes, as amended and supplemented.

"January 2025 Notes" means the 5.125% Senior Notes due 2025 issued by the Company from time to time pursuant to the January 2025 Indenture.

"January 2025 Trustee" means the trustee under the January 2025 Indenture.

"Joint Venture" means the joint venture company to be established in connection with the Project by the Company (by itself or through its Restricted Subsidiaries) with entities not Affiliated with the Company, in which the Company will hold a minority equity interest in the joint venture company's total outstanding Capital Stock, or any successor thereof.

"Jointly Controlled Entity" means any corporation, association or other business entity of which 20% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly by the Company or a Restricted Subsidiary and such corporation, association or other business entity is treated as a joint venture in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"March 2021 Indenture" means the Indenture dated March 12, 2018 governing the March 2021 Notes, as amended and supplemented.

"March 2021 Notes" means the 5.8% Senior Notes due 2021 issued by the Company from time to time pursuant to the March 2021 Indenture.

"March 2021 Trustee" means the trustee under the March 2021 Indenture.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and 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.

"Moody's" means Moody's Investors Service, Inc. and its successors. Net Cash Proceeds means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment 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;

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale,

including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non Residential Property Entity" means any Person not primarily engaged, directly or indirectly, in the acquisition, development and sale of residential property in the PRC.

"November 2018 Indenture" means the Indenture dated November 22, 2017 governing the November 2018 Notes, as amended and supplemented.

"November 2018 Notes" means the 3.875% Senior Notes due 2018 issued by the Company from time to time pursuant to the November 2018 Indenture.

"November 2018 Trustee" means the trustee under the November 2018 Indenture.

"Offer to Purchase" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note 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 defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled Option of the Holder to Elect Purchase on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000.

On one Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under such Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor.

“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 under the Indenture, Officers’ Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be counsel to the Company.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“*Pari Passu* Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company or another Subsidiary Guarantor (including Additional Notes); provided that (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption “—Certain covenants—Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption—Repurchase of Notes upon a Change of Control Triggering Event, or an Offer to Purchase in the manner described under the caption—Certain covenants—Limitation on Asset Sales or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Holders” means any or all of the following:

- (1) Mr. Yeung Kwok Keung and Ms. Yang Huiyan, collectively;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or be merged or

consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary;

(2) 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) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "—Certain covenants—Limitation on Asset Sales;"

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of Permitted Liens or made in connection with Liens permitted under the covenant described under "—Certain covenants—Limitation on Liens;"

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) advances to government authorities or government-affiliated entities in the People's Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Company's balance sheet;

(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 comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and

(16) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;

(17) Investments (other than Guarantees provided under paragraph (18) below) by the Company or any Restricted Subsidiary in the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture not to exceed an aggregate outstanding amount of RMB2.72 billion, which amount or amounts shall be determined at the time the relevant Investments are made, provided that the amount of any Investment not made in cash shall be the carrying or book value of such Investment as shown on the most recently available consolidated balance sheet of the Company (which may be internal consolidated balance sheet) at the time such Investment is made;

(18) any Guarantee by the Company or any Restricted Subsidiary of Indebtedness Incurred by the Joint Venture or any of its Subsidiaries in proportion to the Company's (direct or indirect) interest in the Capital Stock of the Joint Venture, provided that such Guarantee is permitted to be Incurred under paragraph (2)(p) under "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(19) any Investment (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary), of which at least 20% of the Capital Stock and the Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such Person, an Associate), provided that:

(a) the aggregate of all Investments made by the Company or any Restricted Subsidiary in a Person (other than a Non-Residential Property Entity of which 50% or more of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Company or its Restricted Subsidiaries) under this clause (19) after the Original Issue Date shall not exceed in aggregate an amount equal to 30% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) after the Original Issue Date resulting from:

(i) 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),

(ii) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(iii) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash,

the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or

(iv) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person after the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment), not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (19),

(b) 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 (19) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates (other than by reason of such shareholder or partner being an officer or director of such Person or by reason of such shareholder or partner being the Company or a Subsidiary, Jointly Controlled Entity or Associate of the Company), such Investment complies with the covenant under the caption—Limitation on Transactions with Shareholders and Affiliates;

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) with respect to an Associate in which the Company or any Restricted Subsidiary has made an Investment under this clause (19), (x) if the Company or such Restricted Subsidiary no longer owns at least 20% of the Capital Stock of such Associate, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this clause (19) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under “—Certain covenants—Limitation on Restricted Payments” (including meeting the requirements of one of the other clauses set forth under this Permitted Investment definition) except for clause (4)(b) of the first paragraph of the covenant described under “—Certain covenants—Limitation on Restricted Payments;” and

(e) 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 paragraph (1) of the covenant under the caption—Certain covenants—Limitation of Indebtedness and Preferred Stock.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be determined at the time such Investment is made.

“Permitted Liens” means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and

diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant described under the caption entitled "—Certain covenants—Limitation on

Indebtedness and Preferred Stock;" provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens under the Security Documents;

(14) Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under—Security—Permitted *Pari Passu* Secured Indebtedness;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant under the caption "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens (including extensions and renewals thereof) upon real or personal property; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled "—Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, provided that such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if such Lien is incurred in the ordinary course of business;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including, without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled "—Certain covenants—Limitation on Indebtedness and Preferred Stock;"

- (22) Liens on assets securing Indebtedness permitted to be Incurred under clause (2)(o) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (23) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Financial Company Investor in respect of, and to secure, the Indebtedness of the type described under clause (2)(q) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (24) Liens Incurred on deposits or bank accounts made to secure Bank Deposit Secured Indebtedness of the type described under clause (2)(r) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (25) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (26) Liens securing Indebtedness Incurred under clause (2)(t) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (27) Liens securing Indebtedness Incurred under clause (2)(u) of the “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (28) Liens on Investment Properties or fixed assets securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(v) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (29) 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)(x) of the “—Certain Covenants—Limitation on Indebtedness and Preferred Stock” covenant;
- (30) Liens securing or arising from Entrusted Loans; and
- (31) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary.

provided that, with respect to the Collateral, Permitted Liens shall only refer to the Liens described in clauses (1), (13) and (14) of this definition.

“Permitted *Pari Passu* Secured Indebtedness” has the meaning set forth under—Security—Permitted *Pari Passu* Secured Indebtedness.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Non-Guarantor Restricted Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the sum of the aggregate principal amount outstanding of (x) all such Indebtedness of the Non-Guarantor Restricted Subsidiaries (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(d), 2(f), 2(g) and 2(m) and Subsidiary Guarantees or *Pari Passu* Subsidiary Guarantees permitted under clauses 2(a) and 2(b) of the covenant described under—Certain covenants—Limitation on

Indebtedness and Preferred Stock), (y) all Public Indebtedness of any Non-Guarantor Subsidiary that constitutes Acquired Indebtedness and (z) all Public Indebtedness that was Incurred by a Non-Guarantor Subsidiary by reason of such entity being a Subsidiary Guarantor prior to being designated as a New Non-Guarantor Subsidiary does not exceed an amount equal to 15% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Preferred Stock as applied to the Capital Stock of any Person” means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Project” means the acquisition, development, improvement, management and operation of the Property and any activity related, ancillary or complementary to the acquisition, development, improvement, management or operation of the Property.

“Property” means the parcel or parcels of land located at Panyu District, Guangzhou City, Guangdong Province, the PRC, and any real or personal property located thereon, including any property or structure erected, constructed, fixed, attached or located thereon, as described in the land grant contract, dated December 22, 2009, between (i) the Guangzhou Land and Property Exchange Center, and (ii) Foshan Shunde Country Garden Property Development Company Limited, Gold Volcano Group Limited, Guangzhou R&F Properties Co., Ltd., Kilowell International Limited and Globe Times Investments Limited, as amended or supplemented.

“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.

“PRC CJV” means any Subsidiary that is a sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Qualified Exchange” means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock market, Singapore Exchange Securities Trading Limited, the Australian Securities Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Malaysian 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 a listing (or a deemed new listing pursuant to the rules of the relevant stock exchange or governing body) 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 (1) S&P, (2) Moody’s, (3) Fitch or (4) if S&P, Moody’s, Fitch or any of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody’s, Fitch or any of them, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: BB, B, CCC, CC, C, or D (or equivalent successor categories); and 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 B- 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 the caption “—Consolidation, merger and sale of assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means (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 the caption “—Consolidation, merger and sale of assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) where the Notes are rated by three Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three or all three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any 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 the rating of the Notes by the other two Rating Agencies shall both be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories); or

(d) in the event the Notes are rated below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any two of the three or all three Rating Agencies shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(B) where the Notes are rated by two Rating Agencies on the Rating Date,

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(C) where the Notes are rated by one Rating Agency on the Rating Date,

(a) in the event the Notes are rated by such Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(b) in the event the Notes are rated below Investment Grade by such Rating Agency on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

(D) where the Notes are not rated by any Rating Agency on the Rating Date, a Rating Decline is deemed to have occurred.

“Receipt” means, at any time, with respect to an Associate, an amount equal to the net reduction in all Investments made in such Associate under clause (19) of the definition of Permitted Investment since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interest on, or repayments of, loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of any Associate provided under such clause (19) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under such clause (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to

such Investment (less the reasonable costs of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of Permitted Investment definition.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“Replacement Assets” means, on any date, property or assets (other than current assets that are not land use rights, properties under development or completed property held for sale) of a nature or type or that are used in the businesses of the Company or any of its Restricted Subsidiaries.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in a Restructuring Group.

“Restructuring Group” means a group of Subsidiaries of the Company for which the Company contemplates a Qualified IPO.

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, and its successors.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the pledge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Trustee or the Intercreditor/Collateral Agent and/or any Holders in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; provided that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“September 2023 Indenture” means the indenture dated September 28, 2016 governing the September 2023 Notes, as amended and supplemented.

“September 2023 Notes” means the 4.75% Senior Notes due 2023 issued by the Company from time to time pursuant to the September 2023 Indenture.

“September 2023 Trustee” means the trustee under the September 2023 Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a significant subsidiary within the meaning of the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to 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.

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (1) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; or (2) of which 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is controlled and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (2) the occurrence of any event as a result of which such corporation, association or other business entity ceases to be controlled by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of Designation of Restricted and Unrestricted Subsidiaries covenant.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and

the Notes; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China, Hong Kong and Singapore or any agency of any of the foregoing, 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 organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody’s or A-1 (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least A by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any banks or financial institutions (i) organized under the laws of the PRC, or (ii) made in the ordinary course of business.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that

(1) only with respect to clause (2)(h) of “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant and the definition of Permitted Subsidiary Indebtedness, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(u) of “—Certain covenants—Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Company as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a New Non-Guarantor Restricted Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such New Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Non-Guarantor 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.

“Unrestricted Subsidiary” means, unless redesignated as a Restricted Subsidiary pursuant to the covenant summarized under the caption “—Certain covenants—Designation of Restricted and Unrestricted Subsidiaries,” Bright Start Group Limited, Top Favor Holdings Limited, Golden Favor Investments Limited, Pure Smart Enterprises Limited, Country Garden Properties (Malaysia) Sdn Bhd, Vibrant Corridor Sdn Bhd, Mayland Venue Sdn Bhd, Country Garden Real Estate Sdn Bhd, Country Garden Danga Bay Sdn Bhd, Country Garden (S) Pte. Ltd, Great Favor Holdings Limited, Country Garden Australia Pty Ltd, Country Garden Landscape Sdn. Bhd., BGY North Ryde Pty Ltd, Damai Binajaya Sdn. Bhd., Country Garden Waterfront Sdn. Bhd., Country Garden Pacificview Sdn. Bhd., Suntide Holdings Limited, Silver Dawn Holdings Limited, Sky Global International Development Limited, World Target International Development Limited, Gold Treasure International Development Limited, Yield Limited, Dongguan River Bank Garden Property Development Co., Ltd, AG Consultant Pty Ltd, Giant Leap Construction Sdn Bhd, Country Garden Commercial Management Sdn. Bhd. (formerly known as Country Garden Seaview Sdn Bhd), CGPV

Industrial Building System Sdn. Bhd. (formerly known as Country Garden Waterview Sdn Bhd, Giant Light M&E Engineering Sdn Bhd, Teng Yue Overseas Construction Sdn Bhd, Green Prospect Investments Limited, Excel Group Developments Limited, BGY Australia Holdings Pty Ltd, BGY US Holding LLC, Azure Sea International Limited, Beauty Humble Limited, Great Stride Investments Limited, Harbor Ease Limited, Scenic Reserve Limited, Tin Spring Limited, Top Speed Enterprises Limited, View Glory Enterprises Limited, Ascent Win Limited, Credit Source Limited, Grace Will Holdings Limited, New Prime Investments Limited, Winning Billion Limited, Qianhai Country Garden Huijin Investment Consulting (Shenzhen) Co., Ltd, Qianhai Country Garden Fuxin Investment Consulting (Shenzhen) Co., Ltd, Country Garden St Leonards No.1 Pty Ltd, Country Garden St Leonards No.2 Pty Ltd, Country Garden St Leonards Pty Ltd, Country Garden Forest City Phoenix Hotel Sdn Bhd (formerly known as Country Garden Hotel Management Sdn Bhd), Transcend Commercial Management Sdn Bhd, Genesis Commercial Management Sdn Bhd, Forest City Branding Sdn Bhd, Country Garden Logistics Sdn Bhd, Country Garden Finance Holdings and Great Sino Development Limited and (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Unrestricted Subsidiary Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from any Unrestricted Subsidiary; provided that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

Taxation

The following summary of certain Cayman Islands, BVI, Hong Kong and United States tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions 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.

Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (2018 Revision).

The undertaking is for a period of 20 years from December 19, 2006.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

British Virgin Islands

There is no income or other tax of the BVI imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors incorporated in BVI pursuant to the execution, delivery, performance or enforcement of 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 interest 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, 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 Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues 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 interest 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 disposal 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 Note.

Plan of distribution

Under the terms and subject to the conditions contained in a purchase agreement dated March 28, 2019 (the “Purchase Agreement”) between the Company, Morgan Stanley & Co. International plc, Goldman Sachs (Asia) L.L.C., BNP Paribas, The Hongkong and Shanghai Banking Corporation Limited and Industrial and Commercial Bank of China (Asia) Limited (the “Initial Purchasers”), the Initial Purchasers have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, US\$550,000,000 aggregate principal amount of the April 2024 Notes and US\$950,000,000 aggregate principal amount of the April 2026 Notes set forth opposite its name below:

Initial Purchasers	Principal Amount of the April 2024 Notes	Principal Amount of the April 2026 Notes
Morgan Stanley & Co. International plc	US\$165,000,000	US\$285,000,000
Goldman Sachs (Asia) L.L.C.	US\$165,000,000	US\$285,000,000
BNP Paribas	US\$110,000,000	US\$190,000,000
The Hongkong and Shanghai Banking Corporation Limited	US\$55,000,000	US\$95,000,000
Industrial and Commercial Bank of China (Asia) Limited	US\$55,000,000	US\$95,000,000
Total	US\$550,000,000	US\$950,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers are subject to certain conditions precedent, and entitles the Initial Purchasers to terminate it under certain circumstances prior to the Notes being issued. The offering price and other selling terms may be varied from time to time by the Initial Purchasers. It is possible that only a limited number of investors may hold a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained. Neither the Company, the Subsidiary Guarantors nor the Initial Purchasers are under any obligation to disclose the extent of the distribution of the Notes amongst individual investors. Our chairman, Mr. Yeung Kwok Keung, through a wholly owned affiliate, is expected to be allocated US\$300 million of the aggregate principal amount of the April 2026 Notes.

In addition, we have agreed with the Initial Purchasers that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

We will pay the Initial Purchasers fees and commissions in connection with the Offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the Offering. We and the Subsidiary Guarantors have agreed to indemnify jointly and severally the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof.

Application will be made for the listing and quotation of the Notes on the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain such listings. The Notes are new issues of securities with no established trading market. We have been advised that the Initial Purchasers presently intend to make markets in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make markets in the Notes, and any such market making may be discontinued at any time without prior notice at the sole

discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers, as stabilizing managers, or any person or entity acting on any of their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers, as stabilizing managers, or any person or entity acting on any of their behalf, may over-allot the offering, creating a syndicate short position. In addition, the Initial Purchasers, as stabilizing managers, or any person or entity acting on any of their behalf, may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. Neither the Initial Purchasers, as stabilizing managers, nor any person or entity acting on any of their behalf, is required to engage in these activities, and any of them may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers and certain of their affiliates have in the past and may in the future perform certain investment banking, commercial/corporate banking and advisory services for the Company 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 banking and advisory services for the Company and/or its affiliates in the ordinary course of their business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

As of the date of this offering memorandum, certain initial purchasers and their affiliates hold positions of the notes previously issued by the Issuer, which may be further distributed or held for their principal investment.

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

In connection with this offering of the Notes, the Initial Purchasers and/or their affiliate(s) may act as an investor for its own account and may take up Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the sixth business day following the pricing date of the Notes (this settlement cycle is referred to as "T+6"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. 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+6, 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.

Selling restrictions

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act, and may only be offered or sold outside of the United States in offshore transactions in reliance on Regulation S. Each Initial Purchaser has agreed that it has not offered or sold, and will not offer or sell, any Notes within the United States as part of its distribution except in accordance with Rule 903 of Regulation S under the U.S. Securities Act. Terms used in this section have the meanings given to them by Regulation S. Resale of the Notes is restricted as described under "Transfer Restrictions."

Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any securities to any retail investor in the EEA. For the purposes of this provision, (a) the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the "Prospective Directive"); and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Each Initial Purchaser represents, warrants and agrees that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets 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; and
- (ii) 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.

Singapore

Each Initial Purchaser acknowledges that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser represents and agrees that it has not offered or sold any Notes or caused any Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause any Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, 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 any 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 the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(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, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivative Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Section 309B(1) Notification—the Issuer has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the Securities and Futures Act, Chapter 289 of Singapore)) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment

Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Initial Purchaser represents and agrees that:

(i) 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 (the SFO) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the C(WUMP)O) or which do not constitute an offer to the public within the meaning of C(WUMP)O; and

(ii) 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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

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 FIEA) and each Initial Purchaser represents and agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

The Company is prohibited from making any invitation to the public in the Cayman Islands to subscribe for any of its securities, including the Notes. It has not offered or sold or made any invitation to subscribe for, and will not offer or sell or make any invitation to subscribe for, any Notes to the public in the Cayman Islands.

People’s Republic of China

Each Initial Purchaser represents and agrees that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the initial distribution of the Notes.

Transfer restrictions

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

1. represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, that it and any such account is a purchaser that is outside the United States, that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, and it is purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S;
2. acknowledge that the Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. agree on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only: (i) to the Company or any subsidiary thereof, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an available exemption from the registration requirements of the Securities Act or (iv) pursuant to an effective registration statement under the Securities Act, in each of the above cases in accordance with any applicable securities laws of any State of the United States; subject in each case to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws;
4. agree that it is a purchaser in a sale that occurs outside the United States in an offshore transaction within the meaning of Regulation S;
5. agree that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
6. understand that the Notes will be represented by the Global Note and that transfers thereto are restricted as described under "Description of the April 2024 Notes—Book entry; delivery and form," and "Description of the April 2026 Notes—Book entry; delivery and form";
7. understand that each Note sold will bear a legend to the following effect unless otherwise agreed by the Company and the holder thereof (unless such Note has been

sold pursuant to a registration statement that has been declared effective under the Securities Act):

THIS NOTE AND THE SUBSIDIARY GUARANTEES IN RESPECT HEREOF (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATIONS UNDER THE SECURITIES ACT. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT; and

8. acknowledge that the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Calculation Agent, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the Trustee, the Paying Agent, the Transfer Agent, the Calculation Agent and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Ratings

The Notes have been provisionally assigned a rating of BBB- by Fitch Ratings. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. Additionally, we have been rated BB+ with a stable outlook by Standard & Poor's Ratings Services, Ba1 with a stable outlook by Moody's Investors Service and BBB- with a stable outlook by Fitch Ratings. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us.

Legal matters

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law, Conyers Dill & Pearman as to matters of BVI law, Sidley Austin as to matters of United States federal, New York law and Hong Kong law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Allen & Overy as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

Independent auditor

Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2016, 2017 and 2018 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports appearing herein.

General information

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands and the BVI in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into the Indenture governing the Notes and the issue of the Notes have been authorized by a resolution of our board of directors (or a committee thereof) dated March 28, 2019. The entering into the Indenture governing the Notes and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor dated March 28, 2019.

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 Subsidiary Guarantees.

No material adverse change

Except as may be otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2018 that is material in the context of the issue of the Notes.

Documents available

For so long as any of the Notes are outstanding, upon prior written request and satisfactory proof of holding, copies of the Indenture governing the Notes may be inspected during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the Notes are outstanding, copies of the accountant's reports and/or our published financial statements, if any, may be obtained during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For a period of not less than 14 days following the listing and quotation of the Notes on the SGX-ST, the following documents (or copies thereof), where applicable, may be inspected during normal business hours on any weekday (except public holidays), without charge, at the principal place of business of the Company in Hong Kong (being Suite 1702, 17/F., Dina House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong):

- (a) the constitutional documents of the issuer;
- (b) the Indenture governing the Notes and the Subsidiary Guarantees and any other trust deed of the Company, paying agency agreement, guarantee or any other material contracts pertaining to the Notes; and
- (c) all reports, letters, valuations or other documents any part of which is included or referred to in this offering memorandum.

Clearing system and settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with the following security codes:

	ISIN	COMMON CODE
April 2024 Notes	XS1974522853	197452285
April 2026 Notes	XS1974522937	197452293

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application will be made for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors, or any of their respective associated companies (if any), the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as any 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 such Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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Notes:

(1) The audited consolidated financial statements for the year ended December 31, 2018 set out herein have been reproduced and page references are referred to pages set forth in such financial statements.

(2) The audited consolidated financial statements for the year ended December 31, 2017 set out herein have been reproduced from our annual report for the year ended December 31, 2017 and page references are referred to pages set forth in such annual report.



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages F8 to F139, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- 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 cash flow statement 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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 judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of properties over time	To address this key audit matter, we performed audit procedures as follows:
Refer to note 5 'Critical accounting estimates and judgements' and note 6 'Revenue and segment information' to the consolidated financial statements.	In assessing the appropriateness of management's judgements as to whether the Group has the enforceable right to payment in those sales contracts where revenue is recognised over time, we have:
Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2018, revenue of the Group from sales of properties was RMB369,405 million, of which RMB77,662 million was recognised on the over time basis.	<ul style="list-style-type: none">(i) Understood and evaluated management's procedures in identifying sales contracts with or without right to payment.(ii) Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms.(iii) Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment.(iv) Assessed the competence, experience and objectivity of the legal counsel engaged by the management.
The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.	In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have: <ul style="list-style-type: none">(i) Compared the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology.



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

Given the involvement of significant judgements and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

How our audit addressed the Key Audit Matter

- (ii) Understood, evaluated and tested the internal controls over the generation of cost data of the project and property unit.
- (iii) Assessed the reasonableness of the basis for cost allocation and checked the accuracy of the cost allocation among property units.
- (iv) Assessed the reasonableness of the cost budgets for the project and property unit under development by comparison to the actual cost of completed projects and property units, taking into account the type of properties and saleable floor areas.
- (v) Compared the estimated total development costs of the project and property unit under development to the budget approved by management.
- (vi) Tested the development costs incurred by tracing to the supporting documents and the reports from external or internal supervising engineers.

We found that the significant judgements and estimations used in determining whether the Group has the enforceable right to payment, the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end were supportable by available evidence.



Key Audit Matter

Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 5 'Critical accounting estimates and judgements', note 10 'Properties under development' and note 13 'Completed properties held for sale' to the consolidated financial statements.

The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB734,749 million and RMB44,338 million respectively as at 31 December 2018, which in total accounted for approximately 48% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

How our audit addressed the Key Audit Matter

We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) Compared the relevant PUD and PHS balances, as at 31 December 2018, on a sample basis, against the result of management's NRV assessment made in the prior year to assess, with hindsight, the accuracy of management's historical NRV assessment and reliability and appropriateness of the NRV assessment methodology.
- (ii) Tested management's key estimates, on a sample basis, for:
 - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
 - Variable selling expenses are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
 - Estimated costs to completion for PUD. We reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.



INDEPENDENT AUDITOR'S REPORT

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 Audit Committee 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.

The Audit Committee is 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.


PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2019



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2018 RMB million	2017 RMB million
Non-current assets			
Property, plant and equipment	7	23,421	21,628
Investment properties	8	16,435	8,338
Intangible assets		670	392
Land use rights	9	2,496	2,425
Properties under development	10	107,812	98,840
Investments in joint ventures	11(b)	27,891	19,346
Investments in associates	11(c)	18,768	11,585
Financial assets at fair value through other comprehensive income	12	1,796	1,517
Derivative financial instruments	23	992	113
Trade and other receivables	15	10,962	5,372
Deferred income tax assets	31	18,701	12,198
		229,944	181,754
Current assets			
Properties under development	10	626,937	360,922
Completed properties held for sale	13	44,338	27,886
Inventories	14	8,822	4,252
Trade and other receivables	15	426,397	272,640
Contract assets and contract acquisition costs	16	17,094	15,738
Prepaid income tax		21,350	13,198
Restricted cash	17	14,200	11,318
Cash and cash equivalents	18	228,343	137,084
Financial assets at fair value through profit or loss	19	12,019	24,830
Derivative financial instruments	23	250	47
		1,399,750	867,915
Current liabilities			
Contract liabilities	21	562,800	346,748
Trade and other payables	20	498,821	330,884
Receipts under securitisation arrangements	22	794	1,805
Current income tax liabilities		30,783	21,607
Senior notes	24	2,238	3,795
Corporate bonds	25	23,964	16,814
Convertible bonds	26	8,051	–
Bank and other borrowings	27	91,844	47,672
Derivative financial instruments	23	111	212
		1,219,406	769,537
Net current assets		180,344	98,378
Total assets less current liabilities		410,288	280,132



	Note	As at 31 December	
		2018 RMB million	2017 RMB million
Non-current liabilities			
Senior notes	24	39,478	28,118
Corporate bonds	25	17,944	30,520
Convertible bonds	26	5,117	–
Bank and other borrowings	27	139,839	87,845
Deferred government grants		249	233
Deferred income tax liabilities	31	32,224	16,448
Derivative financial instruments	23	2,029	356
		236,880	163,520
Equity attributable to owners of the Company			
Share capital and premium	28	27,881	24,461
Other reserves	30	8,247	5,943
Retained earnings	30	85,202	63,267
		121,330	93,671
Non-controlling interests		52,078	22,941
Total equity		173,408	116,612
Total equity and non-current liabilities		410,288	280,132

The notes on pages F16 to F139 are an integral part of these consolidated financial statements.

The financial statements on pages F8 to F139 were approved by the Board of Directors on 18 March 2019 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Revenue	6	379,079	226,900
Cost of sales	33	(276,603)	(168,115)
Gross profit		102,476	58,785
Other income and gains — net	32	4,344	2,611
Gains arising from changes in fair value of and transfer to investment properties	8	1,732	505
Selling and marketing costs	33	(12,533)	(10,002)
Administrative expenses	33	(16,601)	(7,269)
Net impairment losses on financial and contract assets	4(a)(iii)	(1,176)	(339)
Research and development expenses	33	(1,224)	(693)
Operating profit		77,018	43,598
Finance income	35	2,445	3,423
Finance costs	35	(1,097)	(147)
Finance income — net	35	1,348	3,276
Share of results of joint ventures and associates	11(b), 11(c)	1,197	(352)
Profit before income tax		79,563	46,522
Income tax expenses	36	(31,021)	(17,770)
Profit for the year		48,542	28,752
Profit attributable to:			
— Owners of the Company		34,618	26,064
— Non-controlling interests		13,924	2,688
		48,542	28,752
Earnings per share attributable to owners of the Company (expressed in RMB yuan per share)			
Basic	39	1.61	1.23
Diluted	39	1.55	1.22

The notes on pages F16 to F139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Profit for the year		48,542	28,752
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income	30	107	(56)
Items that may be reclassified to profit or loss:			
– Deferred gains/(losses) on cash flow hedges	23(d)	35	(104)
– Deferred (costs)/gains of hedging	23(d)	(1,099)	751
– Currency translation differences		(67)	155
Total other comprehensive (loss)/income for the year, net of tax		(1,024)	746
Total comprehensive income for the year		47,518	29,498
Total comprehensive income attributable to:			
– Owners of the Company		33,619	26,776
– Non-controlling interests		13,899	2,722
		47,518	29,498

The notes on pages F16 to F139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million		
Balance at 1 January 2018	24,461	5,943	63,267	93,671	22,941	116,612
Comprehensive income						
Profit for the year	-	-	34,618	34,618	13,924	48,542
Other comprehensive income	-	(999)	-	(999)	(25)	(1,024)
Total comprehensive income for the year	-	(999)	34,618	33,619	13,899	47,518
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	-	-	-	-	6,237	6,237
Transfer to statutory reserve	-	2,022	(2,022)	-	-	-
Issue of shares as a result of placing (note 28)	6,330	-	-	6,330	-	6,330
Issue of shares as a result of scrip dividend (notes 28 and 37(a))	9	-	-	9	-	9
Buy-back of shares (note 28(b))	(2,965)	-	-	(2,965)	-	(2,965)
Dividends (note 37(a))	-	-	(9,441)	(9,441)	-	(9,441)
Distribution in specie (note 37(b))	-	(490)	(1,275)	(1,765)	(25)	(1,790)
Employee share schemes						
– Value of employee services (note 29)	-	354	-	354	-	354
– Issue of shares pursuant to share option scheme (notes 28 and 30)	46	(33)	-	13	-	13
Equity component of convertible bonds issued (note 26)	-	375	-	375	-	375
Early redemption of convertible bonds (note 26(b))	-	(155)	55	(100)	-	(100)
Non-controlling interests arising from business combinations (note 44)	-	-	-	-	9,522	9,522
Disposals of subsidiaries (note 43)	-	-	-	-	(497)	(497)
Changes in ownership interests in subsidiaries without change of control (note 42)	-	(127)	-	(127)	1	(126)
Total transactions with owners	3,420	1,946	(12,683)	(7,317)	15,238	7,921
Other transaction						
Issue of written call options	-	1,357	-	1,357	-	1,357
Balance at 31 December 2018	27,881	8,247	85,202	121,330	52,078	173,408

	Attributable to owners of the Company				Non-controlling interests RMB million	Total equity RMB million
	Share capital and premium	Other reserves	Retained earnings	Total		
	RMB million	RMB million	RMB million	RMB million		
Balance at 1 January 2017	25,677	4,484	43,120	73,281	11,922	85,203
Comprehensive income						
Profit for the year	-	-	26,064	26,064	2,688	28,752
Other comprehensive income	-	712	-	712	34	746
Total comprehensive income for the year	-	712	26,064	26,776	2,722	29,498
Transactions with owners in their capacity as owners						
Capital injections from non-controlling interests	-	-	-	-	4,343	4,343
Transfer to statutory reserve	-	1,129	(1,129)	-	-	-
Dividends	-	-	(5,383)	(5,383)	-	(5,383)
Buy-back of shares	(1,216)	-	-	(1,216)	-	(1,216)
Employee share schemes:						
– Value of employee services (note 29)	-	265	-	265	-	265
Non-controlling interests arising from business combinations	-	-	-	-	4,535	4,535
Reclassification of revaluation reserve upon disposal	-	(595)	595	-	-	-
Disposals of subsidiaries	-	-	-	-	(746)	(746)
Changes in ownership interests in subsidiaries without change of control	-	(52)	-	(52)	165	113
Total transactions with owners	(1,216)	747	(5,917)	(6,386)	8,297	1,911
Balance at 31 December 2017	24,461	5,943	63,267	93,671	22,941	116,612

The notes on pages F16 to F139 are an integral part of these consolidated financial statements.



CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Cash flows from operating activities			
Cash generated from operations	38(a)	83,147	54,001
Income tax paid		(35,698)	(19,115)
Interest paid		(18,068)	(10,802)
Net cash generated from operating activities		29,381	24,084
Cash flows from investing activities			
Net cash outflow on acquisitions of subsidiaries	44	(2,434)	(1,904)
Proceeds from disposals of property, plant and equipment	38(b)	152	354
Net cash (outflow)/inflow on disposals of subsidiaries	43	(448)	132
Purchases of property, plant and equipment		(3,230)	(3,301)
Payments for investment properties	8	(139)	(55)
Purchases of intangible assets and land use rights		(427)	(221)
Investments in joint ventures		(6,641)	(9,853)
Investments in associates		(6,550)	(6,829)
Deposits for acquisitions of companies		(10,366)	(4,646)
Loans advanced to related and third parties		(30)	(1,915)
Repayments from loans to third parties		2,780	514
Payments for financial assets at fair value through other comprehensive income	12	(158)	(707)
Payments for financial assets at fair value through profit or loss		(12,156)	(18,389)
Proceeds from disposals of financial assets at fair value through profit or loss		24,918	816
Dividend income from financial assets at fair value through other comprehensive income		15	–
Interest received	35	2,445	1,620
Net cash used in investing activities		(12,269)	(44,384)

	Note	Year ended 31 December	
		2018 RMB million	2017 RMB million
Cash flows from financing activities			
Capital injections from non-controlling interests		6,237	4,343
Buy-back of shares	28(b)	(2,965)	(1,216)
Net proceeds from transactions with non-controlling interests	42	(126)	112
Issue of shares as a result of placing	28(a)	6,330	–
Issue of shares pursuant to share option scheme		13	–
Net cash distributed in respect of distribution in specie	37(b)	(3,085)	–
Issue of senior notes	24	16,324	7,747
Redemption and repayment of senior notes	24	(8,406)	(3,809)
Issue of corporate bonds	25	5,732	10,663
Repayment of corporate bonds	25	(14,534)	(1,125)
Issue of convertible bonds	26	19,322	–
Redemption of convertible bonds	26	(5,686)	–
Issue of written call options		472	–
Payments for purchased call option contracts		(864)	–
Settlement of derivative financial instruments		(382)	(374)
Repayments of receipts under securitisation arrangements		(1,011)	(5,238)
Proceeds from bank and other borrowings	38(c)	108,918	87,106
Repayments of bank and other borrowings	38(c)	(43,025)	(20,006)
Dividends paid to owners of the Company	37(a)	(9,432)	(5,382)
Net cash generated from financing activities		73,832	72,821
Net increase in cash and cash equivalents		90,944	52,521
Cash and cash equivalents at the beginning of the year		137,084	84,647
Exchange gains/(losses) on cash and cash equivalents		315	(84)
Cash and cash equivalents at the end of the year	18	228,343	137,084

The notes on pages F16 to F139 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18 March 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards (“HKFRS”) and the Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with applicable HKFRS and disclosure requirements under the Hong Kong Companies Ordinance.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in current year:

- Classification and measurement of share-based payment transactions — amendments to HKFRS 2;
- Foreign currency transactions and advance consideration — HK (IFRIC) 22;
- Transfers of investment properties — amendments to HKAS 40; and
- Investments in associates and joint ventures — Annual improvements to HKFRS 2014–2016 cycle — amendments to HKAS 28.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New and amended standards adopted by the Group (Continued)

The adoption of these amendments and interpretations to existing standards did not have any impact on the amounts recognised in prior periods and current period, and are not expected to significantly affect future periods.

(iv) New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Annual improvements 2015–2017 cycle		1 January 2019
Amendments to HKFRS 3	Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards, amendments and interpretations to existing standards are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 17. The Group is in the process of assessing the impact of HKFRS 17 on the Group's consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) *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 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 profit or loss.



2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) *Business combinations (Continued)*

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 with the Group's accounting policies.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposals 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 HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends 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 Summary of significant accounting policies *(Continued)*

2.3 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 profit or loss, 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 an associate' in profit or loss.

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.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

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.



2 Summary of significant accounting policies *(Continued)*

2.4 Joint arrangements *(Continued)*

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. 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests 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.

2.5 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 of the Company that make strategic decisions.

2.6 Foreign currency translation

(i) 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 which is the Company's functional currency and the Group's presentation currency.

(ii) 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 profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation *(Continued)*

(ii) Transactions and balances (Continued)

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'finance income — net'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income — net', except when capitalised on the basis set out in note 2.25. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income and gains — net'.

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income 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
- All resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss 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	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 years



2 Summary of significant accounting policies *(Continued)*

2.7 Property, plant and equipment *(Continued)*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains — net' in the consolidated income statement.

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. Land 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.

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. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

2 Summary of significant accounting policies *(Continued)*

2.8 Investment properties *(Continued)*

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

2.9 Intangible assets

(i) 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 value 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.

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(iii) Research and development expenses

Research and development expenditures that do not meet the capitalised criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



2 Summary of significant accounting policies *(Continued)*

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to 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

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies

2.11 Financial assets *(Continued)*

(ii) Recognition and measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other income and gains — net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains — net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in 'other income and gains — net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.



2 Summary of significant accounting policies *(Continued)*

2.12 Impairment of financial assets and contract assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a)(iii) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding deposits, prepayment and loans to related and third parties), the Group applies the simplified approach permitted by HKFRS 9 Financial instruments ("HKFRS 9"), which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains — net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/(costs) — net'.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

2 Summary of significant accounting policies *(Continued)*

2.13 Derivative financial instruments and hedging activities *(Continued)*

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 Summary of significant accounting policies (Continued)

2.15 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 sold 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 cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.16 Completed properties held for sale

Completed properties remaining unsold at year end 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 the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.17 Inventories

Inventories are stated at the lower of cost or 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.

2.18 Trade and other receivables

Trade receivables are amounts due from buyers for properties sold or 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 provision for impairment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.19 Contract assets and contract liabilities

Upon entering into a contract with a buyer, the Group obtains rights to receive consideration from the buyer and assumes performance obligations to transfer goods or provide services to the buyer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a buyer as contract acquisition cost within contract assets if the Group expects to recover those costs.

2.20 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.



2 Summary of significant accounting policies (Continued)

2.23 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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 stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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 adjustments to interest costs include the interest rate differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.26 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.27 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.28 Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry. The derivative liability component of a convertible bond is measured at fair value with changes in fair value recognised in profit or loss.

2.29 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised 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.



2 Summary of significant accounting policies (Continued)

2.29 Current and deferred income tax (Continued)

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company and its subsidiaries 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.

(ii) 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 date of statement of financial position 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when 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 joint venture's or 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 arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2 Summary of significant accounting policies *(Continued)*

2.29 Current and deferred income tax *(Continued)*

(iii) 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 tax 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.

2.30 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonus and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.31 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.



2 Summary of significant accounting policies (Continued)

2.31 Share-based payments (Continued)

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.32 Provisions and contingent liabilities

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and provision of services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. 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.

Revenue from contracts with customers

Revenues are recognised when or as the control of the asset is transferred to the buyer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the buyer; or
- creates and enhances an asset that the buyer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the buyer obtains control of the asset.


If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(i) Sales of properties and rendering of construction services

Revenue from sales of properties is recognised over time when the Group's performance under the sale contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise revenue from sales of property is recognised at point in time.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction (excluding land cost and borrowing cost) costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract.

For property sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the buyer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.



2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition (Continued)

(i) Sales of properties and rendering of construction services (Continued)

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For rendering of construction services, usually there is only one single performance in a contract, the Group's performance creates or enhances an asset or work in progress that the buyer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Revenue from other sources

Rental income

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

2.34 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(Continued)*

2.35 Dividend income

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

2.36 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

(a) *The Group is the lessee under operating lease other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors of the Company, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property buyers and financial guarantee contracts provided to its related parties as insurance contracts.



3 Change in accounting policies

During the year ended 31 December 2018, the Group has changed and separated its presentation of profit and loss section from a single consolidated statement of comprehensive income into two separate statements — a consolidated income statement and a consolidated statement of comprehensive income. As the number of items of other comprehensive income increased, the directors of the Company considered that the change would result in a more clear presentation of the Group's performance in these consolidated financial statements to the readers. The change in presentation has been applied retrospectively.

4 Financial risk management

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value 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. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and debt financing to fund its operations. The Group has alternative plans (refer to note 4(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of its assets is denominated in RMB. The majority of its non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD") and United States Dollar ("USD"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign exchange forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives contracts) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the structure of the hedging activities, no significant ineffectiveness is expected at inception.

The aggregated carrying amount of the foreign currency denominated monetary assets and monetary liabilities of group companies at the respective dates of statement of financial position are as follows:

	2018	2017
	RMB million	RMB million
Assets		
HKD	826	2,215
USD	3,138	2,179
Other currencies	651	324
	4,615	4,718
Liabilities		
HKD	7,889	8,630
USD	63,352	49,861
Other currencies	4,653	233
	75,894	58,724

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on the profit or loss for the year without taking into account the hedging effects would be as follows:

	Change of profit or loss – increase/(decrease)	
	2018 RMB million	2017 RMB million
RMB against HKD:		
Strengthened by 5%	353	321
Weakened by 5%	(353)	(321)
RMB against USD:		
Strengthened by 5%	3,011	2,384
Weakened by 5%	(3,011)	(2,384)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, convertible bonds, receipts under securitisation arrangements and bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, corporate bonds, convertible bonds and receipts under securitisation arrangements issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration including refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each scenario, the same interest rate shift is used for all currencies. The scenarios are run only for financial liabilities that represent the major interest-bearing positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

The exposure of the Group's total borrowings (notes 24, 25, 26 and 27) to interest rate changes and the contractual maturity dates of the total borrowings at the end of the year are as follows:

	2018 RMB million	2017 RMB million
Variable rate borrowings	197,259	116,020
Other borrowings — maturity dates:		
1 year or less	53,460	28,293
1–2 years	24,644	26,184
2–5 years	41,996	32,984
Over 5 years	11,116	11,283
	328,475	214,764

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, derivative financial assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, derivative financial assets, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits and derivative financial instruments are mainly placed or entered with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to buyers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. For properties that are still under construction and the buyers choose to pay by bank mortgage, the Group typically provides guarantees to banks in connection with the buyers' borrowing of mortgage loans to finance their purchases of the properties. If a buyer defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by more than the buyer's deposits received, the Group may not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and buyers.



4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

The Group has arranged bank financing for certain buyers of property units and provided guarantees to secure obligations of such buyers for repayments. Detailed disclosure of these guarantees is made in note 40. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. In particular, the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

i. Loans to related and third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the related and third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Credit risk *(Continued)*

i. Loans to related and third parties *(Continued)*

A summary of the assumptions underlying the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Buyers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

As at 31 December 2018 and 2017, the internal credit rating of loans to related and third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as securities against the loans.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Loans to related and third parties (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2018, the Group provided for credit losses against loans to related and third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	B	1~12%	12 months expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the year.

As at 31 December 2018, the gross carrying amount of loans to related and third parties was RMB696 million (2017: RMB3,446 million) and after deducting impairment provision of RMB9 million (2017: RMB36 million), the maximum exposure to loss was RMB687 million (2017: RMB3,410 million). The Group made no write-off of loans to related and third parties during the year (2017: nil).

ii. Trade and other receivables (excluding deposits, prepayments and loans to related and third parties) and contract assets

The Group applies the 12 months expected losses approach to provide for expected credit losses prescribed by HKFRS 9, and the Group accounts for its credit risk by appropriately providing for the expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for other receivables (excluding deposits, prepayments and loans to related and third parties), and adjusts for forward looking macroeconomic data.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and trade receivables.

Expected loss rate of contract assets is assessed to be 0.1% (2017: 0.1%). As at 31 December 2018, the loss allowance provision for contract assets was not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding deposits, prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2018, the loss allowance provision was determined as follows.

2018

Trade receivables	Current	More than	More than	Total
		90 days past due	180 days past due	
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	38,153	1,329	1,242	40,724
Loss allowance provision (RMB million)	38	27	62	127

Other receivables (excluding deposits, prepayments and loans to related and third parties)	Current	More than	More than	More than	More than	Total
		180 days past due	1 year past due	2 years past due	3 years past due	
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	225,187	15,162	9,178	2,040	1,520	253,087
Loss allowance provision (RMB million)	225	152	918	306	304	1,905

2017

Trade receivables	Current	More than	More than	Total
		90 days past due	180 days past due	
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB million)	26,590	1,331	1,133	29,054
Loss allowance provision (RMB million)	27	27	56	110

Other receivables (excluding deposits, prepayments and loans to related and third parties)	Current	More than	More than	More than	More than	Total
		180 days past due	1 year past due	2 years past due	3 years past due	
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB million)	125,178	6,110	2,218	536	1,153	135,195
Loss allowance provision (RMB million)	125	61	222	80	231	719

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding deposits, prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2018, the loss allowance provision for trade and other receivables (excluding deposits, prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB million	Other receivables (excluding deposits, prepayments and loans to related and third parties) RMB million	Total RMB million
Opening loss allowance as at 1 January 2017	56	448	504
Provision for loss allowance recognised in profit or loss during the year	54	271	325
Closing loss allowance as at 31 December 2017	110	719	829
Provision for loss allowance recognised in profit or loss during the year	17	1,186	1,203
Closing loss allowance as at 31 December 2018	127	1,905	2,032

As at 31 December 2018, the gross carrying amount of trade and other receivables (excluding deposits, prepayments and loans to related and third parties) was RMB293,811 million (2017: RMB164,249 million) and thus the maximum exposure to loss was RMB291,779 million (2017: RMB163,420 million). The Group made no write-off of trade and other receivables (excluding deposits, prepayments and loans to related and third parties) and contract assets during the year (2017: nil).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management *(Continued)*

(a) Financial risk factors *(Continued)*

(iv) Liquidity risk

Management aims at maintaining sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2019. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2019 include: (1) construction payments match receipt of the relevant proceeds from pre-sales; (2) available project loan facility is expected to be no less than that of 2018; and (3) no breach of debt covenants is anticipated in 2019, as the management will closely monitor the compliance status of the covenants for all borrowings.

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 reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group will base on its assessment of the relevant future costs and benefits to pursue such options as appropriate. The directors of the Company consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2018					
Senior notes	4,224	8,389	26,799	12,276	51,688
Bank and other borrowings	106,941	82,012	64,525	7,218	260,696
Convertible bonds	8,386	309	7,787	-	16,482
Corporate bonds	26,016	10,865	8,632	-	45,513
Receipts under securitisation arrangements	832	-	-	-	832
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	-	-	-	447,987
Derivative financial instruments	111	239	1,790	-	2,140
Total	594,497	101,814	109,533	19,494	825,338

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year RMB million	Between 1 and 2 years RMB million	Between 2 and 5 years RMB million	Over 5 years RMB million	Total RMB million
At 31 December 2017					
Senior notes	5,550	3,616	20,017	13,095	42,278
Bank and other borrowings	54,005	40,927	52,181	773	147,886
Corporate bonds	18,657	18,858	14,773	–	52,288
Receipts under securitisation arrangements	1,880	–	–	–	1,880
Trade and other payables (excluding other taxes payable and salaries payable)	298,558	–	–	–	298,558
Derivative financial instruments	212	55	301	–	568
Total	378,862	63,456	87,272	13,868	543,458

(b) 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back of shares, issue new shares or sell assets.

Consistent with other companies 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 senior notes, corporate bonds, convertible bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

4 Financial risk management (Continued)

(b) Capital management (Continued)

The gearing ratio as at 31 December 2018 and 2017 were as follows:

	2018 RMB million	2017 RMB million
Total borrowings (notes 24, 25, 26 and 27)	328,475	214,764
Less: Cash and cash equivalents (note 18)	(228,343)	(137,084)
Guarantee deposits for construction of pre-sale properties (note 17)	(14,200)	(11,318)
Net debt	85,932	66,362
Total equity	173,408	116,612
Gearing ratio	50%	57%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are 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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2018				
Assets				
Financial assets at FVOCI	94	–	1,702	1,796
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	259	11,760	–	12,019
Total	353	13,002	1,702	15,057
Liabilities				
Derivative financial instruments	–	2,140	–	2,140

	Level 1 RMB million	Level 2 RMB million	Level 3 RMB million	Total RMB million
At 31 December 2017				
Assets				
Financial assets at FVOCI	–	–	1,517	1,517
Derivative financial instruments	–	160	–	160
Financial assets at FVTPL	308	24,522	–	24,830
Total	308	24,682	1,517	26,507
Liabilities				
Derivative financial instruments	–	568	–	568

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives contracts and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted by financial institutions.

For Level 2 financial assets at FVTPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs or by reference to recent completed transaction prices.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2018 and 2017:

	2018 RMB million	2017 RMB million
Opening balance	1,517	871
Additions	158	707
Fair value changes	121	(61)
Transfer to Level 1*	(94)	–
Closing balance	1,702	1,517
Dividend income recognised in 'other income and gains – net'	6	9

* The Group transferred its equity interest in a company listed on the National Association of Securities Dealers Automated Quotations (the "NASDAQ") from level 3 to level 1 as the shares of this company were actively traded during the year.

Except as described above, there were no transfers between level 1, 2 and 3 during the year.

There were no changes in valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Financial risk management (Continued)

(d) Financial instruments by category

	2018			
	Assets at fair value through other comprehensive income RMB million	Assets at fair value through profit or loss RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,796	–	–	1,796
Trade and other receivables excluding deposits and prepayments	–	–	292,466	292,466
Restricted cash	–	–	14,200	14,200
Cash and cash equivalents	–	–	228,343	228,343
Derivative financial instruments	–	1,242	–	1,242
Financial assets at FVTPL	–	12,019	–	12,019
Total	1,796	13,261	535,009	550,066
	2017			
	Assets at fair value through other comprehensive income RMB million	Assets at fair value through profit or loss RMB million	Assets at amortised cost RMB million	Total RMB million
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,517	–	–	1,517
Trade and other receivables excluding deposits and prepayments	–	–	166,830	166,830
Restricted cash	–	–	11,318	11,318
Cash and cash equivalents	–	–	137,084	137,084
Derivative financial instruments	–	160	–	160
Financial assets at FVTPL	–	24,830	–	24,830
Total	1,517	24,990	315,232	341,739

4 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

	2018		
	Liabilities at amortised cost RMB million	Liabilities at fair value through profit or loss RMB million	Total RMB million
Liabilities as per consolidated statement of financial position			
Senior notes	41,716	–	41,716
Bank and other borrowings	231,683	–	231,683
Corporate bonds	41,908	–	41,908
Convertible bonds	13,168	–	13,168
Trade and other payables (excluding other taxes payable and salaries payable)	447,987	–	447,987
Receipts under securitisation arrangements	794	–	794
Derivative financial instruments	–	2,140	2,140
Total	777,256	2,140	779,396
	2017		
	Liabilities at amortised cost RMB million	Liabilities at fair value through profit or loss RMB million	Total RMB million
Liabilities as per consolidated statement of financial position			
Senior notes	31,913	–	31,913
Bank and other borrowings	135,517	–	135,517
Corporate bonds	47,334	–	47,334
Trade and other payables (excluding other taxes payable and salaries payable)	298,558	–	298,558
Receipts under securitisation arrangements	1,805	–	1,805
Derivative financial instruments	–	568	568
Total	515,127	568	515,695



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Critical accounting estimates and judgements

Estimates and judgements used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise the revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the buyer and thus the property unit does not have an alternative use to the Group. Significant management's judgements were involved in determining whether there is an enforceable right to payment which depends on the terms of sales contract and the interpretation of the applicable laws governing the sales contracts. The Group obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgements in interpreting the applicable laws, based on legal counsel opinion, to identify sales contracts with right to payment and those without.

In addition, for the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the year end. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of the year as a percentage of total estimated costs for each property unit in the sale contract. The Group calculated the cost allocation based on type of properties and saleable floor areas. Significant judgements and estimations are required in determining the completeness of the estimated total construction costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.



5 Critical accounting estimates and judgements *(Continued)*

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The carrying amounts of properties under development and completed properties held for sale amounted to RMB734,749 million (2017: RMB459,762 million) and RMB44,338 million (2017: RMB27,886 million) respectively as at 31 December 2018, which in total accounted for approximately 48% (2017: 46%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable values based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2018.

(c) Income taxes and deferred income tax

Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate 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 difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information

The executive directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The executive directors of the Company have determined the operating segments based on these reports.

In previous year, the executive directors of the Company assessed the performance of the Group organised into five business segments as follows: Property development, Construction, Property investment, Property management and Hotel operation.

During the year ended 31 December 2018, upon the spin-off of CG Services (note 37(b)), the executive directors of the Company reassessed the performance and operations of the Group and concluded that the Group only have two reportable segments — Property development and Construction, and the other segments are individually and collectively insignificant for segment reporting purposes. The comparative information has been restated accordingly.

The executive directors of the Company assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments, and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid income tax, contract assets and contract acquisition costs and operating cash. They exclude deferred income tax assets, financial assets at FVOCI, financial assets at FVTPL and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, corporate bonds, convertible bonds, receipts under securitisation arrangements, bank and other borrowings, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets and land use rights (note 9) excluding those arising from business combinations.

6 Revenue and segment information (Continued)

Revenue consists of the following:

	2018	2017
	RMB million	RMB million
Sales of properties	369,405	220,157
Rendering of construction services	5,265	2,305
Rental income	227	108
Rendering of property management services	1,632	2,656
Rendering of hotel services and others	2,550	1,674
	379,079	226,900

Sales between segments are carried out according to the terms and conditions agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2018 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	369,405	38,619	12,634	420,658
— Recognised at a point in time	291,743	—	8,876	300,619
— Recognised over time	77,662	38,619	3,758	120,039
Revenue from other sources:				
Rental income	—	—	227	227
Segment revenue	369,405	38,619	12,861	420,885
Inter-segment revenue	—	(33,354)	(8,452)	(41,806)
Revenue from external customers	369,405	5,265	4,409	379,079
Share of results of joint ventures and associates	1,250	—	(53)	1,197
Gains arising from changes in fair value of and transfer to investment properties	—	—	1,732	1,732
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	366	51	627	1,044
Net impairment losses on financial and contract assets	1,117	16	43	1,176
Segment results	75,566	351	2,276	78,193
At 31 December 2018				
Total segment assets after elimination of inter-segment balances	1,519,796	21,951	54,189	1,595,936
Investments in joint ventures and associates	46,431	—	228	46,659
Capital expenditure	1,792	32	1,972	3,796
Total segment liabilities after elimination of inter-segment balances	1,022,717	19,023	20,130	1,061,870

6 Revenue and segment information (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB million	Construction RMB million	Others RMB million	Total RMB million
Revenue from contracts with customers	220,157	22,089	4,936	247,182
— Recognised at a point in time	159,350	—	—	159,350
— Recognised over time	60,807	22,089	4,936	87,832
Revenue from other sources:				
Rental income	—	—	108	108
Segment revenue	220,157	22,089	5,044	247,290
Inter-segment revenue	—	(19,784)	(606)	(20,390)
Revenue from external customers	220,157	2,305	4,438	226,900
Share of results of joint ventures and associates	(344)	—	(8)	(352)
Gains arising from changes in fair value of and transfer to investment properties	—	—	505	505
Depreciation and amortisation expenses of property, plant and equipment, intangible assets and land use rights	152	30	643	825
Net impairment losses on financial and contract assets	324	6	9	339
Segment results	42,308	74	1,265	43,647
At 31 December 2017				
Total segment assets after elimination of inter-segment balances	970,470	16,950	23,544	1,010,964
Investments in joint ventures and associates	30,913	—	18	30,931
Capital expenditure	1,819	26	1,574	3,419
Total segment liabilities after elimination of inter-segment balances	659,724	14,987	3,154	677,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Revenue and segment information (Continued)

Reportable segment results are reconciled to net profit as follows:

	2018 RMB million	2017 RMB million
Total segment results	78,193	43,647
Changes in fair value of derivative financial instruments	22	(401)
Finance income — net	1,348	3,276
Profit before income tax	79,563	46,522
Income tax expenses	(31,021)	(17,770)
Profit for the year	48,542	28,752

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2018 RMB million	2017 RMB million
Total segment assets after elimination of inter-segment balances	1,595,936	1,010,964
Deferred income tax assets	18,701	12,198
Financial assets at FVOCI	1,796	1,517
Financial assets at FVTPL	12,019	24,830
Derivative financial instruments	1,242	160
Total assets	1,629,694	1,049,669
Total segment liabilities after elimination of inter-segment balances	1,061,870	677,865
Deferred income tax liabilities	32,224	16,448
Current income tax liabilities	30,783	21,607
Senior notes	41,716	31,913
Bank and other borrowings	231,683	135,517
Corporate bonds	41,908	47,334
Convertible bonds	13,168	—
Receipts under securitisation arrangements	794	1,805
Derivative financial instruments	2,140	568
Total liabilities	1,456,286	933,057

7 Property, plant and equipment

	Buildings	Machinery	Transportation equipment	Furniture, fitting and equipment	Construction in progress	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Year ended 31 December 2018						
Opening net book amount	13,995	674	570	529	5,860	21,628
Acquisitions of subsidiaries (note 44)	344	48	-	359	-	751
Other additions	173	101	299	562	2,095	3,230
Transfer	2,016	-	-	-	(2,016)	-
Disposals of subsidiaries	(11)	(38)	(21)	(10)	(771)	(851)
Other disposals	(22)	(18)	(20)	(64)	-	(124)
Depreciation	(556)	(156)	(174)	(389)	-	(1,275)
Exchange differences	49	6	5	-	2	62
Closing net book amount	15,988	617	659	987	5,170	23,421
At 31 December 2018						
Cost	18,934	1,138	1,685	2,734	5,170	29,661
Accumulated depreciation	(2,946)	(521)	(1,026)	(1,747)	-	(6,240)
Net book amount	15,988	617	659	987	5,170	23,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Property, plant and equipment (Continued)

	Buildings RMB million	Machinery RMB million	Transportation equipment RMB million	Furniture, fitting and equipment RMB million	Construction in progress RMB million	Total RMB million
At 1 January 2017						
Cost	15,644	640	1,499	1,616	5,705	25,104
Accumulated depreciation	(1,856)	(349)	(866)	(1,156)	–	(4,227)
Net book amount	13,788	291	633	460	5,705	20,877
Year ended 31 December 2017						
Opening net book amount	13,788	291	633	460	5,705	20,877
Acquisitions of subsidiaries	196	–	–	258	–	454
Other additions	464	544	163	334	1,639	3,144
Transfer	1,484	–	–	–	(1,484)	–
Disposals of subsidiaries	(1,433)	(37)	(2)	(23)	–	(1,495)
Other disposals	(94)	(26)	(46)	(170)	–	(336)
Depreciation	(445)	(103)	(182)	(337)	–	(1,067)
Exchange differences	35	5	4	7	–	51
Closing net book amount	13,995	674	570	529	5,860	21,628
At 31 December 2017						
Cost	15,948	1,050	1,574	1,823	5,860	26,255
Accumulated depreciation	(1,953)	(376)	(1,004)	(1,294)	–	(4,627)
Net book amount	13,995	674	570	529	5,860	21,628

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated income statement respectively.

	2018 RMB million	2017 RMB million
Properties under development	366	342
Cost of sales	310	270
Selling and marketing costs	95	81
Administrative expenses and research and development expenses	504	374
	1,275	1,067

7 Property, plant and equipment (Continued)

As at 31 December 2018, buildings with net book value of RMB2,845 million (2017: RMB1,822 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

As at 31 December 2018, title certificates of buildings with net book value of RMB2,584 million (2017: RMB1,905 million) were still in the process of being obtained.

8 Investment properties

	2018 RMB million	2017 RMB million
Year ended 31 December		
Opening net book amount	8,338	9,773
Acquisitions of subsidiaries (note 44)	2,862	–
Transfer from properties under development and completed properties held for sale	4,170	525
Other additions	139	55
Revaluation gains upon transfer from properties under development and completed properties held for sale	1,516	365
Fair value changes	216	140
Transfer to properties under development	(621)	(1,086)
Disposals of subsidiaries	(185)	(1,434)
	16,435	8,338
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	1,516	365
– fair value changes	216	140
	1,732	505



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties *(Continued)*

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2018 and 2017, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer or business acquisition dates, and at 31 December 2018 and 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited or Cushman & Wakefield Limited, independent and professionally qualified valuers who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

8 Investment properties (Continued)

Valuation techniques (Continued)

- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on land and construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred as well as anticipated developer’s profits.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2018 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	15,866	Income capitalisation	The rate of return/ capitalisation rate	3%–5.5% per annum
			Monthly rental (RMB/ square meter/month)	11–220
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–36,000
Investment properties under construction	569	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	41–5,580
			Remaining percentage to completion	2%–98%
			Anticipated developer’s profit margin	10%–25%



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2017 RMB million	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,042	Income capitalisation	The rate of return/ capitalisation rate	3%–5.5% per annum
			Monthly rental (RMB/ square meter/month)	20–265
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–37,500
Investment properties under construction	1,296	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	70–5,950
			Remaining percentage to completion	1%–90%
			Anticipated developer's profit margin	13%–25%

Relationships of unobservable inputs to fair value are as follows:

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value; and
- The higher the anticipated developer's profit margin, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2018 RMB million	2017 RMB million
Rental income	227	108
Direct operating expenses	(37)	(26)
	190	82

As at 31 December 2018, investment properties with fair value of RMB599 million (2017: RMB419 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

9 Land use rights

	2018 RMB million	2017 RMB million
Opening net book amount	2,425	2,536
Acquisitions of subsidiaries (note 44)	132	—
Other additions	214	108
Disposals of subsidiaries	(212)	(145)
Amortisation	(63)	(74)
Closing net book amount	2,496	2,425

These land use rights are held for self-use. Amortisation expense has been charged to administrative expenses and cost of sales.

The land use rights located in Mainland China, amounting to RMB1,745 million (2017: RMB1,824 million) are held on leases of between 10 to 50 years. The land use rights located in Malaysia, amounting to RMB751 million (2017: RMB601 million), are freehold.

As at 31 December 2018, land use rights with net book value of RMB1,557 million (2017: RMB1,588 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Properties under development

	2018 RMB million	2017 RMB million
Properties under development expected to be completed and delivered:		
– Within a normal operating cycle included under current assets	626,937	360,922
– Beyond a normal operating cycle included under non-current assets	107,812	98,840
	734,749	459,762
Amounts comprise:		
– Construction costs including depreciation and staff cost capitalised	318,756	200,404
– Land use rights	398,795	249,325
– Borrowing costs capitalised	17,198	10,033
	734,749	459,762

The normal operating cycle of the Group's property development generally ranges from one to two years.

At 31 December 2018, properties under development included the costs to fulfil those contracts, revenue of which was recognised over time amounted to RMB16,589 million (2017: RMB7,351 million).

Cost of sales for the year included RMB5,273 million (2017: RMB3,718 million) of costs brought forward from prior year to fulfil those contracts revenue of which was recognised over time.

At 31 December 2018, properties under development amounting to RMB517,817 million (2017: RMB226,911 million) were expected to be completed and delivered beyond one year.

The capitalisation rate used to capitalise interest on general borrowings in 2018 was 6.47% per annum (2017: 5.89% per annum).

10 Properties under development (Continued)

The properties under development of the Group are located in:

	2018 RMB million	2017 RMB million
Mainland China	717,666	441,532
Malaysia	6,631	12,200
Australia	1,940	1,827
Others	8,512	4,203
	734,749	459,762

As at 31 December 2018, land use rights included in properties under development of RMB75,097 million (2017: RMB31,187 million) were pledged as collateral for the Group's bank and other borrowings (note 27).

11(a) Subsidiaries

The principal subsidiaries at 31 December 2018 are listed in note 47.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

11(b) Investments in joint ventures

	2018 RMB million	2017 RMB million
At 1 January	19,346	7,311
Transfer from subsidiaries	1,327	728
Other additions	8,941	12,989
Transfer to subsidiaries	(1,288)	(1,252)
Disposals	(325)	(5)
Share of results	(110)	(425)
– Gains arising from negative goodwill	51	305
– Others	(161)	(730)
At 31 December	27,891	19,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11(b) Investments in joint ventures (Continued)

The balance comprises the following:

	2018 RMB million	2017 RMB million
Unlisted investments		
— Share of net assets	27,553	19,132
— Goodwill	338	214
	27,891	19,346

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets of joint ventures acquired

	With negative goodwill RMB million	With goodwill RMB million	Total RMB million
Assets	24,171	2,827	26,998
Liabilities	(17,610)	(2,025)	(19,635)
Total identifiable net assets	6,561	802	7,363

Reconciliation to the Group's interests in the joint ventures

Fair values of the consideration for the acquisitions	2,864	470
Fair values of the Group's share of identifiable net assets	(2,915)	(346)
(Negative goodwill)/goodwill	(51)	124

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

11(b) Investments in joint ventures (Continued)

The goodwill arose from the acquisitions of certain property development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2018, certain borrowings of joint ventures were guaranteed by the Group (note 40) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB3,391 million (2017: RMB2,071 million). As at 31 December 2018, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2018 and 2017 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2018 RMB million	2017 RMB million
Carrying amount in the consolidated financial statements	27,891	19,346
Share of losses for the year	(110)	(425)
Share of total comprehensive loss for the year	(110)	(425)

11(c) Investments in associates

	2018 RMB million	2017 RMB million
At 1 January	11,585	3,873
Transfer from subsidiaries	682	492
Other additions	7,376	7,994
Transfer to subsidiaries	(2,073)	(847)
Disposals	(109)	–
Share of results	1,307	73
– Gains arising from negative goodwill	338	331
– Others	969	(258)
At 31 December	18,768	11,585



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11(c) Investments in associates (Continued)

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year are as follows:

Total identifiable net assets of associates acquired

	With negative goodwill	With goodwill	Total
	RMB million	RMB million	RMB million
Assets	46,168	3,422	49,590
Liabilities	(26,509)	(2,762)	(29,271)
Total identifiable net assets	19,659	660	20,319

Reconciliation to the Group's interests in the associates

Fair values of the consideration for the acquisitions	4,701	132
Fair values of the Group's share of identifiable net assets	(5,039)	(115)
(Negative goodwill)/goodwill	(338)	17

The negative goodwill was mainly resulted from the fact that other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The goodwill arose from the acquisitions of certain property development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2018, certain borrowings of associates were guaranteed by the Group (note 40) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB3,640 million (2017: RMB722 million).

11(c) Investments in associates (Continued)

The directors of the Company consider that none of the associates as at 31 December 2018 and 2017 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2018	2017
	RMB million	RMB million
Carrying amount in the consolidated financial statements	18,768	11,585
Share of profits for the year	1,307	73
Share of total comprehensive income for the year	1,307	73

12 Financial assets at fair value through other comprehensive income

	2018	2017
	RMB million	RMB million
At 1 January	1,517	871
Additions	158	707
Fair value changes	121	(61)
At 31 December	1,796	1,517

Financial assets at FVOCI include the following:

	2018	2017
	RMB million	RMB million
Listed equity securities	563	575
Unlisted equity investments	1,233	942
	1,796	1,517

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies. The fair values of these investments were determined mainly based on direct comparison approach by making reference to quoted market price and recent transaction prices of similar deals, the fair value measurement is categorised within level 1 or level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Completed properties held for sale

	2018 RMB million	2017 RMB million
Completed properties held for sale	44,338	27,886

The completed properties held for sale are mainly located in Mainland China.

14 Inventories

	2018 RMB million	2017 RMB million
Construction materials and spare parts	8,822	4,252

Inventories were mainly charged to properties under development upon utilisation.

15 Trade and other receivables

	2018 RMB million	2017 RMB million
Included in current assets		
– Trade receivables – net (note (a))	40,597	28,944
– Other receivables – net (note (b))	251,182	134,476
– Loans to related and third parties – net (note (c))	687	2,684
– Prepayments for land (note (d))	109,670	97,035
– Other prepayments (note (e))	24,261	9,501
	426,397	272,640
Included in non-current assets		
– Loans to third parties (note (c))	–	726
– Deposits for acquisitions of companies (note (f))	10,962	4,646
	10,962	5,372
	437,359	278,012

As at 31 December 2018, the fair values of trade and other receivables approximated their carrying amounts.

15 Trade and other receivables (Continued)

(a) Details of trade receivables are as follows:

	2018 RMB million	2017 RMB million
Trade receivables	40,724	29,054
Less: allowance for impairment	(127)	(110)
Trade receivables — net	40,597	28,944

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on property delivery date is as follows:

	2018 RMB million	2017 RMB million
Within 90 days	37,275	25,923
Over 90 days and within 180 days	1,593	1,487
Over 180 days and within 365 days	1,149	798
Over 365 days	707	846
	40,724	29,054

As at 31 December 2018 and 2017, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB127 million (2017: RMB110 million) was made against the gross amounts of trade receivables (note 4(a)(iii)).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of buyers. Trade receivables were collateralised by the titles of the properties sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Trade and other receivables (Continued)

(b) Details of other receivables are as follows:

	2018	2017
	RMB million	RMB million
Amounts due from joint ventures, associates and other related parties	83,387	45,047
Land auction and other deposits	61,705	32,962
Others (i)	107,995	57,186
	253,087	135,195
Less: allowance for impairment	(1,905)	(719)
Other receivables — net	251,182	134,476

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable according to contract terms.

(c) As at 31 December 2018, loans to related and third parties bear interest at rates ranging from 10% to 16% per annum (2017: 4.85%–15% per annum), of which RMB680 million (2017: RMB776 million) were secured by certain properties and land use rights of the third parties.

	2018	2017
	RMB million	RMB million
Loans to related parties	–	54
Loans to third parties	696	3,392
	696	3,446
Less: allowance for impairment	(9)	(36)
Loans to related and third parties — net	687	3,410
Included in non-current assets	–	726
Included in current assets	687	2,684



15 Trade and other receivables (Continued)

- (d) Prepayments for land use rights are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 31 December 2018.
- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.
- (f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

16 Contract assets and contract acquisition costs

Details of contract assets and contract acquisition costs are as follows:

	2018	2017
	RMB million	RMB million
Contract assets related to sales of properties (note (i))	7,277	8,417
Contract assets related to construction services (note (i))	2,960	1,696
Contract acquisition costs (note (ii))	6,857	5,625
Total contract assets and contract acquisition costs	17,094	15,738

Notes:

- (i) Contract assets consist of unbilled amount resulting from sale of properties and construction when revenue recognised exceeds the amount billed to the buyer.
- (ii) Management expected the contract acquisition costs, represented primarily sale commission and stamp duty paid/payable for obtaining property sale contracts are recoverable. The Group has deferred the amounts paid and will charge them to profit or loss when the related revenue is recognised. For the year ended 31 December 2018, the amount charged to profit or loss was RMB2,168 million (2017: RMB1,263 million) and there was no impairment loss in relation to the remaining balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated bank accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Unused guarantee deposits will be released after the completion of construction of the related properties.

18 Cash and cash equivalents

	2018 RMB million	2017 RMB million
Cash at banks and on hand	241,599	135,005
Short-term bank deposits	944	13,397
	242,543	148,402
Less: restricted cash (note 17)	(14,200)	(11,318)
	228,343	137,084

The short-term deposits are denominated in RMB and have terms ranging within 3 months. The effective interest rate of these deposits as at 31 December 2018 was 1.22% per annum (2017: 3.42% per annum).

Cash and deposits are denominated in the following currencies:

	2018 RMB million	2017 RMB million
Denominated in RMB	232,044	138,923
Denominated in HKD	902	2,235
Denominated in USD	3,575	2,253
Denominated in RM	4,518	3,685
Denominated in other currencies	1,504	1,306
	242,543	148,402

The conversion of RMB and RM denominated balances into other currencies and the remittance of 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.

19 Financial assets at fair value through profit or loss

	2018 RMB million	2017 RMB million
PRC listed equity security (note (a))	259	308
Wealth management products (note (b))	11,760	24,522
	12,019	24,830

(a) This represented a 2.29% (2017: 2.29%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd., which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2018 represented the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by financial institutions. The fair values of these investments approximated their carrying values as at 31 December 2018.

20 Trade and other payables

	2018 RMB million	2017 RMB million
Trade payables (note (b))	255,053	165,314
Other payables (note (c))	192,339	132,664
Other taxes payable	41,034	24,712
Salaries payable	9,800	7,614
Accrued expenses	595	580
	498,821	330,884

(a) As at 31 December 2018, the carrying amounts of trade and other payables approximated their fair values.

(b) The ageing analysis of trade payables based on the date of invoice is as follows:

	2018 RMB million	2017 RMB million
Within 90 days	211,512	138,681
Over 90 days and within 180 days	34,648	21,155
Over 180 days and within 365 days	5,698	3,609
Over 365 days	3,195	1,869
	255,053	165,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trade and other payables (Continued)

- (c) Other payables mainly included deposits from property buyers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable according to contract terms.

21 Contract liabilities

	2018 RMB million	2017 RMB million
Contract liabilities	562,800	346,748

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(a) Revenue recognised in relation to contract liabilities

	2018 RMB million	2017 RMB million
Revenue recognised that was included in the contract liability balance at the beginning of the year	177,716	101,201

(b) Unsatisfied contracts related to sales of properties

	2018 RMB million	2017 RMB million
Revenue expected to be recognised within one year	393,432	249,554
Revenue expected to be recognised after one year	269,322	239,768
Total transaction price allocated to the unsatisfied contracts	662,754	489,322

22 Receipts under securitisation arrangements

The balance represented proceeds received from issue of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, amounting to RMB794 million (2017: RMB1,805 million). These securities bear an effective interest rate of 4.8% (2017: 4.5% to 6.0%) per annum and have a revolving term of 3 to 6 months (2017: 3 to 6 months).

23 Derivative financial instruments

	2018		2017	
	Assets RMB million	Liabilities RMB million	Assets RMB million	Liabilities RMB million
<u>Qualified for hedge accounting</u>				
– Foreign currency option contracts (note (a))	386	2	72	20
– Foreign exchange structured derivatives contracts (note (b))	201	198	40	264
– Foreign exchange forward contracts (note (c))	23	208	–	–
– Cross currency swaps	–	–	–	34
<u>Not qualified for hedge accounting</u>				
– Foreign exchange forward contracts	31	152	48	250
– Foreign currency option contracts	–	62	–	–
Others				
– Embedded financial derivative of convertible bonds (note 26)	–	1,518	–	–
– Purchased call option contracts (note 30(c))	601	–	–	–
	1,242	2,140	160	568
Analysed as:				
Current	250	111	47	212
Non-current	992	2,029	113	356
	1,242	2,140	160	568

The total notional principal amounts of the derivative financial instruments for hedging purpose at 31 December 2018 were RMB65,711 million (2017: RMB35,627 million), of which RMB49,445 million (2017: RMB26,983 million) were qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2019 to 2022 (2017: 2018 to 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Derivative financial instruments (Continued)

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2018	2017
(a) Derivative financial instruments – foreign currency option contracts		
Carrying amount (RMB million)	384	52
Notional amount (RMB million)	13,688	11,261
Maturity date	15 January 2019– 14 January 2022	08 March 2018– 31 March 2021
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	560	(770)
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(549)	717
Strike rate (USD: RMB range)	6.4600–6.4900	6.4800–6.8200

	2018	2017
(b) Derivative financial instruments – foreign exchange structured derivatives contracts (note (i))		
Carrying amount (RMB million)	3	(224)
Notional amount (RMB million)	14,481	14,799
Maturity date	09 July 2019– 25 July 2022	17 December 2018– 25 July 2022
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	864	(897)
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(868)	870
Strike rate (USD: RMB range)	6.4930–6.9370	6.4930–6.9370

(i) Foreign exchange structured derivatives contracts are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

23 Derivative financial instruments (Continued)

	2018	2017
(c) Derivative financial instruments — Foreign exchange forward contracts		
Carrying amount (RMB million)	(185)	—
Notional amount (RMB million)	21,276	—
Maturity date	24 September 2020– 17 January 2022	—
Hedge ratio*	1:1	—
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB million)	74	—
Change in value of hedged item used to determine hedge effectiveness during the year (RMB million)	(38)	—
Strike rate (USD: RMB range)	6.5900–6.9950	—



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23 Derivative financial instruments *(Continued)*

(d) Reserves

	2018 RMB million	2017 RMB million
<u>Cash flow hedge reserve</u>		
Opening balance	(14)	90
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	1,552	(1,745)
Reclassified to profit or loss (note 35)	(1,517)	1,641
Closing balance	21	(14)

	2018 RMB million	2017 RMB million
<u>Deferred costs of hedging reserve — deferred time value</u>		
Opening balance	455	(296)
(Losses)/gains of hedging deferred for the year	(1,143)	608
Reclassified to profit or loss (note 35)	44	143
Closing balance	(644)	455

* The foreign currency option contracts, foreign exchange structured derivatives contracts, foreign exchange forward contracts and cross currency swap contracts are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

24 Senior notes

	2018 RMB million	2017 RMB million
As at 1 January	31,913	29,264
Additions	16,324	7,747
Early redemption (note (a))	(4,757)	(3,662)
Repayment on maturity (note (a))	(3,464)	–
Interest expenses	2,646	2,222
Coupon interest paid	(2,130)	(2,001)
Currency translation differences	1,184	(1,657)
	41,716	31,913
Less: current portion included in current liabilities	(2,238)	(3,795)
Included in non-current liabilities	39,478	28,118

Senior notes were repayable as follows:

	2018 RMB million	2017 RMB million
Within 1 year	2,238	3,795
Between 1 and 2 years	6,156	1,633
Between 2 and 5 years	22,206	15,202
Over 5 years	11,116	11,283
	41,716	31,913



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Senior notes (Continued)

(a) The Group has issued the following senior notes:

Name of notes	Par value Million	Interest rate	Issue date	Term of the notes
Carried forward from prior years and remained outstanding at 31 December 2018:				
2021 Notes	USD750	7.250%	4 October 2013	7.5 years
2019 Notes II	USD250	7.500%	5 June 2014	5 years
2020 Notes	USD900	7.500%	9 March 2015	5 years
2023 Notes II	USD650	4.750%	28 September 2016	7 years
2026 Notes	USD350	5.625%	15 December 2016	10 years
2022 Notes	USD700	4.750%	25 July 2017	5 years
Issued during the year:				
2023 Notes III — tranche I	USD250	4.750%	17 January 2018	5 years
2023 Notes III — tranche II *	USD375	4.750%	31 July 2018	4.5 years
2025 Notes — tranche I	USD600	5.125%	17 January 2018	7 years
2025 Notes — tranche II **	USD150	5.125%	4 September 2018	6.4 years
2021 Notes II	RMB950	5.800%	12 March 2018	3 years
2022 Notes II	USD425	7.125%	27 September 2018	3.5 years
2024 Notes	USD550	8.000%	27 September 2018	5.5 years
Repaid during the year on maturity:				
2018 Notes	USD500	3.875%	22 November 2017	1 year
Early redeemed during the year (note (i)):				
2023 Notes I	USD750	7.500%	10 January 2013	10 years

* 2023 Notes III — tranche II was consolidated and form a single series with the 2023 Notes III — tranche I.

** 2025 Notes — tranche II was consolidated and form a single series with the 2025 Notes — tranche I.

24 Senior notes (Continued)

(a) The Group has issued the following senior notes (Continued):

- (i) On 20 February 2018 (the "Redemption Date"), all the outstanding 2023 Notes I were early redeemed at a redemption price equal to 103.75% of the principal amount thereof, plus accrued and unpaid interest of approximately USD6 million up to the Redemption Date. The total redemption price paid by the Company on the redemption date was approximately USD784 million. The difference between the redemption price and the carrying amount of the 2023 Notes I on the Redemption Date, amounting to approximately USD28 million (equivalent to approximately RMB185 million), was charged to profit or loss under 'finance income – net'.

The redemption price is calculated as below:

	USD Million
Principal amount	750
Premium price (3.75% of the principal amount)	28
Accrued and unpaid interest	6
	784

- (ii) The weighted average effective interest rate of the senior notes is 7.25% (2017: 7.26%).
- (b) Except for the 2019 Notes II, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II, all senior notes contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors of the Company consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2018 and 2017.

Except for the above early redemption options, the holders of the 2026 Notes have a put option to request the Company to repurchase the 2026 Notes on 15 December 2021 at the price equal to 100% of the principle amounts of the 2026 Notes. The directors of the Company consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2018 and 2017.

The fair values of the senior notes at 31 December 2018 were approximately RMB40,105 million (2017: RMB32,224 million). The fair value is calculated using the market prices of the senior notes on the date of consolidated statement of financial position. The fair value measurement of the 2019 Notes II is categorised within level 3 of the fair value hierarchy as they are private placements. The fair value measurement of other senior notes is categorised within level 1 of the fair value hierarchy as they are listed on Singapore Exchange Securities Trading Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Senior notes (Continued)

- (c) The Group's senior notes are guaranteed by certain subsidiaries of the Group and are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.

25 Corporate bonds

	2018 RMB million	2017 RMB million
As at 1 January	47,334	37,710
Acquisitions of subsidiaries (note 44)	3,475	—
Other additions	5,732	10,663
Repayment upon maturity	(14,534)	(1,125)
Interest expenses	2,389	1,961
Coupon interest paid	(2,492)	(1,875)
Currency translation differences	4	—
	41,908	47,334
Less: current portion included in current liabilities	(23,964)	(16,814)
Included in non-current liabilities	17,944	30,520

The Group's corporate bonds are repayable as follows:

	2018 RMB million	2017 RMB million
Within 1 year	23,964	16,814
Between 1 and 2 years	9,805	17,025
Between 2 and 5 years	8,139	13,495
	41,908	47,334

25 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2018:

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Corporate bonds of the Company issued in 2015	1,000	6.30%	29 December 2015	5 years
RMB Corporate bonds tranche I of the Company issued in 2016 (note (c))	4,000	4.75%	2 March 2016	5 years
RMB Corporate bonds tranche II of the Company issued in 2016	200	4.55%	29 March 2016	4 years
RMB Corporate bonds tranche III of the Company issued in 2016 (note (c))	1,000	4.60%	2 August 2016	5 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series I	3,110	6.80%	2 September 2016	4 years
RMB Corporate bonds tranche IV of the Company issued in 2016 — series II (note (c))	5,830	5.65%	2 September 2016	7 years
RMB Corporate bonds II tranche I of Zengcheng Country Garden issued in 2015 (note (b))	3,700	6.50%	9 November 2015	4 years
RMB Corporate bonds II tranche II of Zengcheng Country Garden issued in 2015 (note (b))	3,360	6.50%	7 December 2015	4 years
RMB Corporate bonds of Giant Leap issued in 2016 — series I (note (b))	801	6.80%	21 October 2016	4 years
RMB Corporate bonds of Giant Leap issued in 2016 — series II (notes (b) and (c))	2,000	3.90%	21 October 2016	7 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2018: (Continued)

Name of bond	Par value RMB million	Interest rate	Issue date	Term of the bond
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I (note (b))	1,500	6.00%	28 August 2017	3 years
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II (note (b))	1,500	5.90%	20 October 2017	3 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I (notes (b) and (c))	3,800	6.90%	24 October 2017	4 years
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II (notes (b) and (c))	1,200	6.90%	10 November 2017	4 years
RMB Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	3,000	6.80%	26 October 2018	3 years
RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I (notes (b) and (c))	2,100	6.90%	19 December 2018	3 years
RMB Private Corporate bonds I of Country Garden Property Co., Ltd. ("Country Garden Property") issued in 2017 — tranche I	2,000	6.50%	10 October 2017	3 years
RMB Private Corporate bonds I of Country Garden Property issued in 2017 — tranche II	700	6.00%	23 November 2017	3 years
RMB Private Corporate bonds of Country Garden Property issued in 2018 — tranche I (note (c))	328	6.60%	16 November 2018	3 years
RM Private Corporate bonds of Country Garden Real Estate Sdn. Bhd. issued in 2018 (note (b))	325	6.60%	23 February 2018	5 years

The weighted average effective interest rate of the corporate bonds is 5.71% (2017: 5.38%).



25 Corporate bonds (Continued)

- (b) The corporate bonds issued by Zengcheng Country Garden, Giant Leap and Country Garden Real Estate Sdn. Bhd. were guaranteed by certain subsidiaries of the Group.
- (c) RMB Corporate bonds tranche I of the Company issued in 2016, RMB Corporate bonds tranche III of the Company issued in 2016, RMB Corporate bonds tranche IV of the Company issued in 2016 — series II, RMB corporate bonds of Giant Leap issued in 2016 — series II, RMB corporate bonds II of Giant Leap issued in 2017, RMB corporate bonds of Giant Leap issued in 2018 and RMB corporate bonds issued in 2018 by Country Garden Property contain a debt component, put options and coupon rate adjustment options.

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors of the Company consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2018 and 2017.

- (d) Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liabilities of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2018 were RMB43,894 million (2017: RMB49,651 million). Except for RMB Private Corporate bonds of Giant Leap issued in 2018 — tranche I, the fair value measurement of all RMB Public corporate bonds issued by Giant Leap are categorised within level 1 of the fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

26 Convertible bonds

On 16 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600 million (equivalent to approximately RMB12,634 million) due 27 January 2019 (the “2019 Convertible Bonds”), with an initial conversion price of HKD20.556 per share. The conversion price was subsequently modified to HKD18.29 per share as a result of payment of dividend and distribution in specie. On 30 January 2018, the 2019 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Convertible bonds (Continued)

On 21 November 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD7,830 million (equivalent to approximately RMB6,868 million) due 5 December 2023 (the "2023 Convertible Bonds"), with an initial conversion price of HKD12.584 per share. On 5 December 2018, the 2023 Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company.

Movement of the 2019 Convertible Bonds and the 2023 Convertible Bonds is set out as follows:

	RMB million
Face value of the convertible bonds on the issue dates	19,502
Less: Transaction costs	(180)
Net proceeds	19,322
Less: equity component	(375)
Less: derivative liability at FVTPL component	(1,700)
Liability component on initial recognition	17,247
Currency translation differences	976
Interest accrued (note (a))	596
Early redemption during the year (note (b))	(5,651)
Liability component at 31 December 2018	13,168
Less: current portion included in current liabilities	(8,051)
Included in non-current liabilities	5,117

- (a) Interest expenses on the liability component of the 2019 Convertible Bonds and the 2023 Convertible Bonds are calculated using the effective interest method, with the weighted average effective interest rate of 4.97% per annum.
- (b) The Group partially repurchased the 2019 Convertible Bonds in the aggregate amount of HKD6,450 million during the year. The gain on the early redemption was approximately RMB65 million and the redemption price allocated to equity component was approximately RMB100 million. The aggregate principal amount of the 2019 Convertible Bonds that yet to be redeemed as at 31 December 2018 was HKD9,150 million.
- (c) The 2019 Convertible Bonds and the 2023 Convertible Bonds are guaranteed by the Company and certain subsidiaries of the Group and secured by the equity interests in certain subsidiaries of the Group.
- (d) As at 31 December 2018, there has been no conversion of the 2019 Convertible Bonds and the 2023 Convertible Bonds.

27 Bank and other borrowings

	2018 RMB million	2017 RMB million
Non-current liabilities:		
— secured	108,300	48,338
— unsecured	89,779	70,496
Less: current portion of non-current liabilities	(58,240)	(30,989)
	139,839	87,845
Included in current liabilities:		
— secured	10,775	4,138
— unsecured	22,829	12,545
Current portion of non-current liabilities	58,240	30,989
	91,844	47,672
Total bank and other borrowings	231,683	135,517

The Group's borrowings as at 31 December 2018 of RMB119,075 million (2017: RMB52,476 million) were secured by certain properties, land use rights and equipment of the Group (notes 7, 8, 9 and 10) with total carrying values of RMB80,098 million (2017: RMB35,016 million) and/or secured by the equity interests of certain group companies.

At 31 December 2018, the Group's bank and other borrowings were repayable as follows:

	2018 RMB million	2017 RMB million
Within 1 year	91,844	47,672
Between 1 and 2 years	72,900	36,994
Between 2 and 5 years	60,163	50,099
Over 5 years	6,776	752
	231,683	135,517



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Bank and other borrowings (continued)

The weighted average effective interest rate for the year ended 31 December 2018 was 6.52% per annum (2017: 5.67% per annum).

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2018	2017
	RMB million	RMB million
RMB	190,139	103,873
HKD	10,121	9,970
USD	23,114	18,306
RM	2,539	1,465
Other	5,770	1,903
	231,683	135,517

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, none of these covenants had been breached.

28 Share capital and premium

	Number of ordinary shares million	Nominal value of ordinary shares HKD million	Equivalent nominal value of ordinary shares RMB million	Share premium RMB million	Total RMB million	Treasury shares RMB million	Group total RMB million
Authorised							
At 1 January 2017, 31 December 2017 and 2018, HKD0.10 per share	100,000	10,000					
Issued and fully paid							
At 1 January 2017	21,607	2,161	2,032	24,430	26,462	(785)	25,677
Buy-back of shares (note (b))	–	–	–	–	–	(1,216)	(1,216)
Cancellation of shares	(327)	(33)	(29)	(1,592)	(1,621)	1,621	–
At 31 December 2017 and 1 January 2018	21,280	2,128	2,003	22,838	24,841	(380)	24,461
Issue of shares	465	46	37	6,348	6,385	–	6,385
– Issue of shares as a result of placing (note (a))	460	46	37	6,293	6,330	–	6,330
– Issue of shares as a result of scrip dividend (note 37(a))	1	–	–	9	9	–	9
– Issue of shares pursuant to share option scheme	4	–	–	46	46	–	46
Buy-back of shares (note (b))	–	–	–	–	–	(2,965)	(2,965)
Cancellation of shares	(99)	(10)	(8)	(985)	(993)	993	–
At 31 December 2018	21,646	2,164	2,032	28,201	30,233	(2,352)	27,881

(a) Placing of shares

On 16 January 2018, the Group issued 460 million shares by way of placing at a subscription price of HKD17.13 per share.

(b) Buy-back of shares

The Group bought back a total of 284 million (2017: 222 million) of the Company's shares during 2018. The total consideration paid to buy back these shares was RMB2,965 million (2017: RMB1,216 million), which has been deducted from equity attributable to the owners of the Company.



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29 Employee share schemes

The share-based compensation expenses recognised during the year are as follows:

	2018	2017
	RMB million	RMB million
Share option scheme	38	26
Share award scheme	316	239
	354	265

(a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of a rights issue in 2014) to certain independent non-executive directors of the Company. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash. All of the above share options were exercised in 2018.

Since 13 December 2013, the Group granted certain share options to certain directors of the Company and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group. Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the share options is 5 years from their respective grant dates. The fair value of the share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

29 Employee share schemes (continued)

(a) Share option scheme (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted-average exercise price (HKD per share)	Number of options	Weighted-average exercise price (HKD per share)	Number of options
At 1 January	5.299	18,595,503	3.997	14,061,871
Granted	16.059	8,546,799	9.338	4,533,632
Exercised	3.904	(3,949,002)	–	–
At 31 December	9.502	23,193,300	5.229	18,595,503

Particulars of share options outstanding as at 31 December 2018 are as follows:

Date of grant	Expiry date	Exercise price in HKD per share	Number of share options granted	Number of share options lapsed	Number of share options exercised	Number of share options outstanding
30 November 2012	29 November 2022	3.646	3,044,358	–	3,044,358	–
13 December 2013	12 December 2023	4.773	6,264,738	544,070	904,644	4,816,024
16 March 2016	15 March 2026	3.332	2,431,903	–	–	2,431,903
11 May 2016	10 May 2026	3.106	1,599,861	–	–	1,599,861
19 August 2016	18 August 2026	3.740	1,265,081	–	–	1,265,081
22 May 2017	21 May 2027	8.250	2,895,406	–	–	2,895,406
24 August 2017	23 August 2027	10.100	978,409	–	–	978,409
8 December 2017	7 December 2027	12.980	659,817	–	–	659,817
21 March 2018	20 March 2028	16.460	948,535	–	–	948,535
10 May 2018	9 May 2028	16.280	258,092	–	–	258,092
18 May 2018	17 May 2018	16.720	6,517,965	–	–	6,517,965
22 August 2018	21 August 2028	12.240	202,300	–	–	202,300
6 December 2018	5 December 2028	9.654	619,907	–	–	619,907
						23,193,300



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Employee share schemes *(continued)*

(a) Share option scheme *(continued)*

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the “Expected Retention Rate”) of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2018, the Expected Retention Rate was assessed to be 100% (2017: 100%).

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company’s shares (the “Awarded Shares”). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Company, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company’s shares.

Movements in the number of Awarded Shares are as follows:

	2018	2017
At 1 January	85,968,288	51,706,175
Granted	40,607,223	38,025,132
Lapsed	(2,491,828)	(3,763,019)
At 31 December	124,083,683	85,968,288

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2018, the Expected Retention Rate was assessed to be 100% (2017: 100%).

30 Other reserves and retained earnings

	Merger reserve	Statutory reserve	Share option reserve	FVOCI reserve	Currency translation reserve	Revaluation reserve	Cash flow hedge reserve	Deferred		Total other reserves	Retained earnings	Total
								costs of hedging reserve	Others			
	RMB million (note (a))	RMB million (note (b))	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Balance at 1 January 2018	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210
Profit for the year	-	-	-	-	-	-	-	-	-	-	34,618	34,618
Transfer to statutory reserve (note (b))	-	2,022	-	-	-	-	-	-	-	2,022	(2,022)	-
2017 final and 2018 interim dividends	-	-	-	-	-	-	-	-	-	-	(9,441)	(9,441)
Distribution in specie (note 37(b))	-	(107)	-	-	-	-	-	-	(383)	(490)	(1,275)	(1,765)
Employee share scheme												
– Value of employee services (note 29)	-	-	354	-	-	-	-	-	-	354	-	354
– Issue of shares pursuant to share option scheme	-	-	(33)	-	-	-	-	-	-	(33)	-	(33)
Change in fair value of financial assets at FVOCI	-	-	-	107	-	-	-	-	-	107	-	107
Equity component of convertible bonds (note 26)	-	-	-	-	-	-	-	-	375	375	-	375
Early redemption of convertible bonds (note 26(b))	-	-	-	-	-	-	-	-	(155)	(155)	55	(100)
Issue of written call options (note (c))	-	-	-	-	-	-	-	-	1,357	1,357	-	1,357
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(127)	(127)	-	(127)
Currency translation differences	-	-	-	-	(42)	-	-	-	-	(42)	-	(42)
Deferred gains on cash flow hedges	-	-	-	-	-	-	35	-	-	35	-	35
Deferred costs of hedging	-	-	-	-	-	-	-	(1,099)	-	(1,099)	-	(1,099)
Balance at 31 December 2018	(150)	7,257	717	110	(563)	869	21	(644)	630	8,247	85,202	93,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Other reserves and retained earnings (continued)

	Merger reserve RMB million (note (a))	Statutory reserve RMB million (note (b))	Share option reserve RMB million	FVOCI reserve RMB million	Currency translation reserve RMB million	Revaluation reserve RMB million	Cash flow hedge reserve RMB million	Deferred costs of hedging reserve RMB million	Others RMB million	Total other reserves RMB million	Retained earnings RMB million	Total RMB million
Balance at 1 January 2017	(150)	4,213	131	59	(642)	1,464	90	(286)	(385)	4,484	43,120	47,604
Profit for the year	-	-	-	-	-	-	-	-	-	-	26,064	26,064
Transfer to statutory reserve (note (b))	-	1,129	-	-	-	-	-	-	-	1,129	(1,129)	-
2016 final and 2017 interim dividends	-	-	-	-	-	-	-	-	-	-	(5,383)	(5,383)
Reclassification of revaluation reserve upon disposal	-	-	-	-	-	(595)	-	-	-	(595)	595	-
Employee share scheme – Value of employee services (note 29)	-	-	265	-	-	-	-	-	-	265	-	265
Change in fair value of financial assets at FVOCI	-	-	-	(56)	-	-	-	-	-	(56)	-	(56)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(52)	(52)	-	(52)
Currency translation differences	-	-	-	-	121	-	-	-	-	121	-	121
Deferred losses on cash flow hedges	-	-	-	-	-	-	(104)	-	-	(104)	-	(104)
Deferred gains of hedging	-	-	-	-	-	-	-	751	-	751	-	751
Balance at 31 December 2017	(150)	5,342	396	3	(521)	869	(14)	455	(437)	5,943	63,267	69,210

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the Mainland China and the articles of association of certain subsidiaries in Mainland China of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.
- (c) In November 2018, the Group entered into call option transactions involving i) the sale of call options by certain third parties to the Group with a strike price equal to the conversion price of the 2023 Convertible Bonds (note 26) at a total premium of approximately HKD2,793 million (the "Purchased Call Options"), out of which approximately HKD972 million has been paid by the Group as at 31 December 2018 pursuant to the premium payment schedule; and ii) the sale of call options by the Group to certain third parties with a strike price of HKD17.908 at a total premium of approximately HKD1,528 million (the "Written Call Options"), out of which approximately HKD532 million has been received by the Group as at 31 December 2018 pursuant to the premium payment schedule. The Purchased Call Options and the Written Call Options are expected generally to reduce or offset the potential dilution upon conversion of the 2023 Convertible Bonds and/or offset any cash payments the Group is required to make in excess of the principal amount of the 2023 Convertible Bonds being converted, as the case may be. The Purchased Call Options and the Written Call Options will cover, subject to anti-dilution adjustments substantially similar to those applicable to the 2023 Convertible Bonds, the equivalent number of ordinary shares of the Company underlying the 2023 Convertible Bonds. The premium paid for the Purchased Call Options and the premium received and receivable for the Written Call Options are accounted for as derivative financial assets (note 23) and other reserve within equity respectively in the consolidated statement of financial position.

31 Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	2018 RMB million	2017 RMB million
Deferred income tax assets:		
– to be realised after more than 12 months	9,943	4,988
– to be realised within 12 months	8,758	7,210
	18,701	12,198
Deferred income tax liabilities:		
– to be settled after more than 12 months	(26,742)	(14,758)
– to be settled within 12 months	(5,482)	(1,690)
	(32,224)	(16,448)
	(13,523)	(4,250)

The movement on the net deferred income tax account is as follows:

	2018 RMB million	2017 RMB million
Beginning of the year	(4,250)	(786)
Acquisitions of subsidiaries (note 44)	(12,191)	(3,833)
(Charged)/credited to other comprehensive income	(14)	5
Credited to profit or loss (note 36)	2,932	364
End of the year	(13,523)	(4,250)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Deferred income tax (continued)

Movement in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB million	Business combinations RMB million	Recognition of expenses RMB million	Elimination of unrealised profits RMB million	Tax losses RMB million	Prepaid income tax RMB million	Total RMB million
At 1 January 2017	188	83	83	1,251	4,404	1,814	7,823
Acquisitions of subsidiaries	-	33	-	-	-	-	33
Credited/(charged) to profit or loss	74	-	235	(361)	3,032	1,362	4,342
At 31 December 2017	262	116	318	890	7,436	3,176	12,198
At 1 January 2018	262	116	318	890	7,436	3,176	12,198
Acquisitions of subsidiaries (note 44)	-	511	-	-	-	-	511
Credited/(charged) to profit or loss	364	-	375	(119)	4,348	1,024	5,992
At 31 December 2018	626	627	693	771	11,784	4,200	18,701

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2018 of RMB39 million (2017: RMB14 million) in respect of accumulated tax losses amounting to RMB154 million as at 31 December 2018 (2017: RMB55 million).

31 Deferred income tax (continued)

Deferred income tax liabilities:

	Business combinations	Recognition of revenue over time	Withholding income tax on profit to be distributed in future	Fair value changes on investment properties	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2017	(2,807)	(3,912)	(584)	(1,240)	(66)	(8,609)
Acquisitions of subsidiaries	(3,866)	-	-	-	-	(3,866)
Charged to other comprehensive income	-	-	-	-	5	5
Credited/(charged) to profit or loss	579	(4,477)	(357)	420	(143)	(3,978)
At 31 December 2017	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
At 1 January 2018	(6,094)	(8,389)	(941)	(820)	(204)	(16,448)
Acquisitions of subsidiaries (note 44)	(12,702)	-	-	-	-	(12,702)
Credited to other comprehensive income	-	-	-	-	(14)	(14)
Credited/(charged) to profit or loss	2,747	(4,435)	(578)	(433)	(361)	(3,060)
At 31 December 2018	(16,049)	(12,824)	(1,519)	(1,253)	(579)	(32,224)

As at 31 December 2018, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB81,679 million (2017: RMB57,639 million). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Other income and gains — net

	2018	2017
	RMB million	RMB million
Other income		
— Management and consulting service income	1,395	849
— Forfeiture of deposits received from property buyers	54	42
— Government subsidy income	303	29
	1,752	920
Other gains/(losses)		
— Gains arising from negative goodwill (note 44)	1,102	1,936
— Changes in fair value of derivative financial instruments	22	(401)
— Gains/(losses) on disposal of subsidiaries (note 43)	455	(170)
— Gains on disposals of joint ventures and associates	337	204
— Gains on disposals of property, plant and equipment (note 38(b))	28	18
— Others	648	104
	2,592	1,691
Total other income and gains — net	4,344	2,611

33 Expenses by nature

	2018 RMB million	2017 RMB million
Costs of properties sold	272,608	162,752
Other taxes and levies	2,788	3,649
Contract acquisition costs	2,168	1,263
Advertising costs	3,604	3,438
Employee benefit expenses (note 34)	17,580	9,483
Donations (note (a))	1,369	793
Depreciation (note 7)	909	725
Rental expenses	636	510
Amortisation of intangible assets	72	26
Amortisation of land use rights (note 9)	63	74
Auditor's remuneration	31	29
—Audit services	20	18
—Non-audit services	11	11
Others	5,133	3,337
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	306,961	186,079

Notes:

- (a) During the year, RMB150 million (2017: RMB79 million) of the Group's donations were made through Guoqiang Public Welfare Foundation of Guangdong Province. Certain directors of the Company are also directors of that foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Expenses by nature (continued)

- (b) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") on their revenues. The applicable tax rates are as follows:

Category	Rate of VAT
Sale of properties (i)	5%, 10%
Property construction (i)	3%, 10%
Property investment (i)	5%, 10%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

- (i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. VAT for small-scale VAT payer of property construction is 3%. According to the relevant regulations about Adjustment of the Value-Added Tax Rate issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No.32), since 1 May 2018, tax rate on VAT taxable sales or imported goods adjust from 17% and 11% to 16% and 10%, respectively. VAT for income from sales of properties, property investment and property construction is calculated at a tax rate of 10%.
- (ii) The rates of VAT for general VAT payers and small-scale VAT payers of property management and hotel service are 6% and 3%, respectively.
- (c) Research and development expenses represented the inputs in the improvement of construction techniques. Research and development expenses were included in administrative expenses in previous year. During the year, they were presented as a separate line item in the consolidated income statement and the comparative figures have been reclassified accordingly.

34 Employee benefit expenses

	2018 RMB million	2017 RMB million
Wages and salaries	25,412	15,221
Contributions to pension plans (note (a))	177	106
Staff welfare	404	243
Medical benefits	353	212
Share-based compensation expenses (note 29)	354	265
Other allowances and benefits	101	61
	26,801	16,108
Less: capitalised in properties under development	(9,221)	(6,625)
	17,580	9,483

34 Employee benefit expenses (Continued)

Notes:

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2017: one) directors of the Company whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2017: four) individuals during the year are as follows:

	2018 RMB million	2017 RMB million
Salaries	8	9
Discretionary bonuses	110	193
Other benefits and share-based compensation	72	27
	190	229

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
HKD51 million to HKD52 million	—	1
HKD53 million to HKD54 million	—	1
HKD55 million to HKD56 million	—	1
HKD58 million to HKD59 million	1	—
HKD62 million to HKD63 million	1	—
HKD104 million to HKD105 million	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Finance income – net

	2018 RMB million	2017 RMB million
Finance income:		
– Interest income on short-term deposits and others	2,445	1,620
– Net foreign exchange gains:		
– Net foreign exchange gains on financing activities before hedging	–	3,587
– Reclassified from cash flow hedge reserves	–	(1,641)
– Reclassified from deferred costs of hedging reserves	–	(143)
	–	1,803
	2,445	3,423
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(13,415)	(6,553)
– Senior notes (note 24)	(2,646)	(2,222)
– Corporate bonds (note 25)	(2,389)	(1,961)
– Convertible bonds (note 26)	(596)	–
– Receipts under securitisation arrangements	(83)	(304)
	(19,129)	(11,040)
Less: amounts capitalised on qualifying assets	19,129	11,040
	–	–
– Net foreign exchange losses:		
– Net foreign exchange losses on financing activities before hedging	(2,450)	–
– Reclassified from cash flow hedge reserves	1,517	–
– Reclassified from deferred costs of hedging reserves	(44)	–
	(977)	–
– Net losses on early redemption of senior notes and convertible bonds (notes 24 and 26)	(120)	(147)
	(1,097)	(147)
Finance income – net	1,348	3,276

36 Income tax expenses

	2018 RMB million	2017 RMB million
Current income tax		
– Corporate income tax	20,031	9,851
– Land appreciation tax (note (c))	13,922	8,283
	33,953	18,134
Deferred income tax (note 31)		
– Corporate income tax	(3,351)	(383)
– Land appreciation tax (note (c))	(159)	(338)
– Withholding income tax (note (d))	578	357
	(2,932)	(364)
	31,021	17,770

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2018 RMB million	2017 RMB million
Profit before income tax	79,563	46,522
Tax calculated at Mainland China corporate income tax rate of 25% (2017: 25%)	19,891	11,630
Different tax rates applicable to different subsidiaries of the Group	18	8
Land appreciation tax deductible for calculation of income tax purpose	(3,441)	(1,986)
Utilisation of tax losses not previously recognised as deferred income tax assets	(25)	(5)
Effects of share of post-tax results of joint ventures and associates	(299)	88
Income not subject to tax	(556)	(986)
Expenses not deductible for tax purpose	1,092	719
	16,680	9,468
Withholding income tax on profit to be distributed in future (note (d))	578	357
Land appreciation tax (note (c))	13,763	7,945
Income tax expenses	31,021	17,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Income tax expenses (continued)

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2017:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

37 Dividends

(a) Dividends

	2018 RMB million	2017 RMB million
Proposed final dividend of RMB30.32 cents (2017: RMB24.95 cents) per share	6,563	5,424
Interim dividend of RMB18.52 cents (2017: RMB15.02 cents) per share	4,017	3,205
	10,580	8,629

The final dividend in respect of 2017 of RMB24.95 cents (equivalent to HKD30.69 cents) per share, totalling RMB5,424 million, has been approved in the Annual General Meeting on 17 May 2018 and paid in cash in July 2018.

On 21 August 2018, the Board of Directors of the Company declared the payment of a 2018 interim dividend of RMB18.52 cents per share (2017 interim dividend: RMB15.02 cents per share) with the shareholders being given an option to elect to receive such interim dividend all in new shares or partly in new shares and partly in cash or all in cash. This interim dividend was paid partly in cash and partly in new shares in November 2018. The number of ordinary shares settled and issued as scrip dividends was 924,647 and the total amount of dividend paid as scrip dividends was RMB9 million while cash dividend amounted to RMB4,008 million.

The Board of Directors recommended the payment of a 2018 final dividend of RMB30.32 cents per share, totalling RMB6,563 million. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

37 Dividends (continued)

(b) Distribution in specie

On 19 June 2018 (the "Distribution Date"), in connection with the listing of CG Services, the Company's then wholly-owned subsidiary, on the Main Board of The Stock Exchange of Hong Kong Limited, the entire issued share capital of CG Services was distributed to the then existing shareholders of the Company. Since then, CG Services became a fellow subsidiary of the Company and both the Company and CG Services are ultimately controlled by Ms. YANG Huiyan before and after the distribution. A distribution in specie to shareholders of RMB1,765 million was recognised, which represented the carrying value of net assets of CG Services attributable to the owners of the Company as at the Distribution Date.

Details of net assets of CG Services at the Distribution Date are set out below:

	RMB million
Total assets	3,798
Total liabilities	(2,008)
Total identifiable net assets	1,790
Less: non-controlling interests	(25)
Carrying value of net assets attributable to the owners of the Company distributed	1,765
Represented by:	
– Retained earnings	1,275
– Other reserves	490
	1,765

Analysis of net outflow of cash and cash equivalents in respect of the distribution:

	RMB million
Cash proceeds on distribution	–
Cash and cash equivalents of CG Services as at the Distribution Date	(3,085)
Net cash distributed in respect of distribution in specie	(3,085)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Cash flow information

(a) Cash generated from operations

	Note	2018 RMB million	2017 RMB million
Profit for the year		48,542	28,752
Adjustments for:			
Income tax expenses	36	31,021	17,770
Interest income	35	(2,445)	(1,620)
Net loss on early redemption of senior notes and convertible bonds	35	120	147
Net foreign exchange losses/(gains)	35	977	(1,803)
Depreciation	7	909	725
Amortisation of land use rights	9	63	74
Amortisation of intangible assets		72	26
Gains on disposals of property, plant and equipment	32	(28)	(18)
Provision for impairment of trade and other receivables		1,176	339
Share of results of joint ventures and associates	11	(1,197)	352
Gains arising from changes in fair value of and transfer to investment properties	8	(1,732)	(505)
Share-based compensation expense	34	354	265
Gains arising from negative goodwill	44	(1,102)	(1,936)
Changes in fair value of financial assets at FVTPL		49	65
Changes in fair value of derivative financial instruments	32	(22)	401
(Gains)/losses on disposals of subsidiaries	32	(455)	170
		76,302	43,204
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries and currency exchange differences on consolidation):			
Properties under development and completed properties held for sale		(177,629)	(134,747)
Inventories		(4,578)	(2,048)
Restricted cash		(1,761)	1,887
Trade and other receivables		(95,420)	(151,974)
Contract assets and contract acquisition costs		(1,356)	(8,981)
Contract liabilities		117,437	176,865
Trade and other payables		170,152	129,795
Cash generated from operations		83,147	54,001

38 Cash flow information (Continued)

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2018 RMB million	2017 RMB million
Property, plant and equipment		
Net book amount disposed of (note 7)	124	336
Gains on disposals (note 32)	28	18
Proceeds	152	354

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Convertible bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at 31 December 2017	135,517	31,913	47,334	–	1,805	408	216,977
Cash flows							
– Net cash flows from financing activities	65,893	7,918	(8,802)	13,636	(1,011)	(1,246)	76,388
– Interest paid	(13,363)	(2,130)	(2,492)	–	(83)	–	(18,068)
– Acquisitions of subsidiaries	37,276	–	3,475	–	–	–	40,751
– Disposals of subsidiaries	(8,321)	–	–	–	–	–	(8,321)
Non-cash movements							
– Interest expenses	13,415	2,646	2,389	596	83	–	19,129
– Loss/(gains) on early redemption	–	185	–	(65)	–	–	120
– Changes in fair value of derivative financial instruments	–	–	–	–	–	(22)	(22)
– Foreign exchange adjustments	1,266	1,184	4	976	–	–	3,430
– Equity component of convertible bonds	–	–	–	(275)	–	–	(275)
– Derivative liability component of convertible bonds	–	–	–	(1,700)	–	1,700	–
– Other non-cash movements	–	–	–	–	–	58	58
Net debt as at 31 December 2018	231,683	41,716	41,908	13,168	794	898	330,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Cash flow information (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank and other borrowings RMB million	Senior notes RMB million	Corporate bonds RMB million	Receipts under securitisation arrangements RMB million	Derivative financial instruments RMB million	Total RMB million
Net debt as at						
31 December 2016	69,222	29,264	37,710	7,043	(1,180)	142,059
Cash flows						
– Net cash flows from						
financing activities	67,100	3,938	9,538	(5,238)	(374)	74,964
– Interest paid	(6,622)	(2,001)	(1,875)	(304)	–	(10,802)
Acquisitions of subsidiaries	9,372	–	–	–	–	9,372
Disposals of subsidiaries	(8,576)	–	–	–	–	(8,576)
Non-cash movements						
– Interest expenses	6,553	2,222	1,961	304	–	11,040
– Loss on early redemption of senior notes	–	147	–	–	–	147
– Changes in fair value of derivative financial instruments	–	–	–	–	401	401
– Foreign exchange adjustments	(1,601)	(1,657)	–	–	–	(3,258)
– Other non-cash movements	69	–	–	–	1,561	1,630
Net debt as at						
31 December 2017	135,517	31,913	47,334	1,805	408	216,977

(d) Non-cash investing and financing activities

Major non-cash transaction during year was the distribution in specie of CG Services (note 37(b)).

39 Earnings per share

(a) Basic

Basic 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, excluding ordinary shares purchased by the Group and held as treasury shares (note 28).

	2018	2017
Profit attributable to owners of the Company (RMB million)	34,618	26,064
Weighted average number of ordinary shares in issue (millions)	21,472	21,224
Earnings per share — Basic (RMB yuan per share)	1.61	1.23

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had four categories of dilutive potential ordinary shares: share options, awarded shares, written call options and convertible bonds. For the share options, awarded shares and written call options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options, awarded shares and written call options. The convertible bonds are assumed to have been converted into ordinary shares. Interest savings on convertible bonds are adjusted to the extent of the amount charged to the profit attributable to owners of the Company. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options, awarded shares and written call options and conversion of convertible bonds. Written call options were excluded from the computation of diluted earnings per share as they are anti-dilutive for the year ended 31 December 2018.

	2018	2017
Profit attributable to owners of the Company (RMB million)	34,618	26,064
Weighted average number of ordinary shares in issue (million)	21,472	21,224
Adjustments — share options, awarded shares and convertible bonds (million)	838	59
Weighted average number of ordinary shares for diluted earnings per share (million)	22,310	21,283
Earnings per share — Diluted (RMB yuan per share)	1.55	1.22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Guarantees

	2018 RMB million	2017 RMB million
Guarantees in respect of mortgage facilities for certain property buyers (note (a))	319,239	214,909
Guarantees to joint ventures, associates and certain third parties in respect of borrowings (note (b))	58,090	33,500
	377,329	248,409

Notes:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issue of the real estate ownership certificates which are generally available within three months after the buyers taking possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the property buyers.

The directors of the Company consider that 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) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

41 Commitments

(a) Commitments for capital expenditures

	2018 RMB million	2017 RMB million
Contracted but not provided for:		
Property, plant and equipment	36	86

41 Commitments (Continued)

(b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2018	2017
	RMB million	RMB million
Not later than one year	104	82
Later than one year and not later than five years	164	127
Later than five years	49	33
	317	242

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2018	2017
	RMB million	RMB million
Not later than one year	263	208
Later than one year and not later than five years	634	722
Later than five years	668	427
	1,565	1,357

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42 Transactions with non-controlling interests

The aggregate effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2018 are as follows:

	2018 RMB million
Changes in equity attributable to owners of the Company arising from:	
– Acquisitions of additional interests in subsidiaries (note (a))	(197)
– Disposals of interests in subsidiaries without loss of control (note (b))	118
– Deemed disposals of interests in subsidiaries without loss of control (note (c))	(48)
	(127)

- (a) The Group acquired additional equity interests of certain subsidiaries from the respective non-controlling interests for a total cash consideration of RMB286 million.

The following table summarises the effect of these acquisitions.

	2018 RMB million
Total carrying amounts of non-controlling interests acquired	89
Total consideration paid	(286)
Total difference recognised within equity	(197)

- (b) The Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB160 million.

The following table summarises the effect of these disposals.

	2018 RMB million
Total carrying amounts disposed to non-controlling interests	(42)
Proceeds from disposals	160
Total difference recognised within equity	118

- (c) Certain third parties injected capital which resulted in passive dilution of interests in certain subsidiaries without loss of control. The Group recognised a decrease in equity and an increase in non-controlling interests of RMB48 million.

43 Disposals of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB million
Disposal consideration	
– Cash received	724
– Outstanding and included in other receivables	1,851
– Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	2,009
	4,584
Less:	
– Total net assets of subsidiaries disposed of	(4,626)
– Non-controlling interest disposed of	497
	455
Gains on disposals	455
Cash proceeds from disposals, net of cash disposed of	
– Cash consideration received	724
– Less: cash and cash equivalents in the subsidiaries disposed of	(1,172)
Net cash outflow on disposals	(448)

44 Business combinations

Business combinations during the year mainly included the acquisitions of interest in property development companies and acquisitions of additional interests in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition dates was not disclosed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Business combinations (Continued)

The acquired companies' principal activities are property development and construction. The financial information of these acquired companies on the acquisition dates is summarised as follows:

	RMB million
Total purchase consideration	
— Cash paid	15,062
— Fair value of investments in joint ventures and associates held before business combinations	3,452
	18,514
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	12,628
Restricted cash	1,121
Investment in joint ventures	25
Property, plant and equipment	751
Investment properties	2,862
Intangible assets	8
Land use rights	132
Properties under development and completed properties held for sale	142,553
Trade and other receivables	82,970
Prepaid income taxes	4,909
Deferred income tax assets	511
Bank and other borrowings	(37,276)
Corporate bonds	(3,475)
Trade and other payables	(56,720)
Contract liabilities	(101,618)
Current income tax liabilities	(7,674)
Deferred income tax liabilities	(12,702)
Total identifiable net assets	29,005
Non-controlling interests	(9,522)
Negative goodwill	(1,102)
Goodwill	133
	18,514
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	(15,062)
— cash and cash equivalents in the subsidiaries acquired	12,628
Net cash outflow on acquisitions	(2,434)

44 Business combination (Continued)

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

The goodwill arose from the acquisitions was mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

The acquired businesses contributed total revenues of RMB47,355 million and net profit of RMB6,695 million to the Group for the period from their respective acquisition dates to 31 December 2018. Had these companies been consolidated from 1 January 2018, the consolidated statement income statement would show pro-forma revenue of RMB379,312 million and profit for the year of RMB47,245 million.

45 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2018 RMB million	2017 RMB million
(i) Entities controlled by certain shareholders, certain directors and/or their close family members		
Sales of properties	1,686	2,647
Purchase of design service	4,464	2,171
Construction service income	81	15
Purchase of property management services, consultancy and other services	510	–
Other transactions	93	21
	6,834	4,854
(ii) Joint ventures		
Provision of guarantee in respect of borrowings	32,969	19,956
Sales of properties	–	1,224
Construction service income	2,008	1,043
Other transactions	789	293
	35,766	22,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

	2018 RMB million	2017 RMB million
(iii) Associates		
Provision of guarantee in respect of borrowings	24,229	11,901
Construction service income	2,197	434
Other transactions	407	117
	26,833	12,452

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

(b) Key management compensation

Key management includes directors and chief executive officer of the Company.

	2018 RMB million	2017 RMB million
Fees and salaries	69	54
Discretionary bonuses	145	168
Employer's contribution to retirement benefit	-	1
Other benefits and share-based compensation	60	13
	274	236

45 Related party transactions (Continued)

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

	2018 RMB million	2017 RMB million
(i) Entities controlled by certain shareholder, certain directors and/or their close family members		
Trade and other receivables	2,435	463
Contract assets and contract acquisition costs	48	73
Trade and other payables	3,248	2,707
(ii) Joint ventures		
Trade and other receivables	51,446	30,504
Contract assets and contract acquisition costs	910	590
Trade and other payables	34,903	52,093
Loans to related parties	-	54
(iii) Associates		
Trade and other receivables	33,446	22,973
Contract assets and contract acquisition costs	895	396
Trade and other payables	27,388	32,785

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

(d) Senior notes

As at 31 December 2018, senior notes with principle amount of USD81 million (equivalent to approximately RMB556 million) and USD2 million (equivalent to approximately RMB14 million) were held by Mr. YEUNG Kwok Keung and Mr. MO Bin respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company

	As at 31 December	
	2018 RMB million	2017 RMB million
Non-current assets		
Investments in subsidiaries	47,598	43,652
Derivative financial instruments	391	113
Financial assets at fair value through other comprehensive income	859	783
	48,848	44,548
Current assets		
Amounts due from subsidiaries	110,381	75,775
Other receivables	674	405
Cash and cash equivalents	3,667	3,332
Financial assets at fair value through profit or loss	–	196
Derivative financial instruments	250	47
	114,972	79,755
Current liabilities		
Amounts due to subsidiaries	29,659	13,327
Other payables	468	394
Senior notes	2,238	3,795
Bank and other borrowings	17,985	5,925
Derivative financial instruments	111	212
	50,461	23,653
Net current assets	64,511	56,102
Total assets less current liabilities	113,359	100,650

46 Statement of financial position and reserve movement of the Company (Continued)

	As at 31 December	
	2018 RMB million	2017 RMB million
Non-current liabilities		
Senior notes	39,478	28,118
Bank and other borrowings	16,505	20,203
Corporate bonds	15,486	20,438
Derivative financial instruments	511	356
	71,980	69,115
Equity		
Share capital and premium	30,260	24,869
Other reserves (note)	196	865
Retained earnings (note)	10,923	5,801
Total equity	41,379	31,535
Total equity and non-current liabilities	113,359	100,650

The statement of financial position of the Company was approved by the Board of Directors on 18 March 2019 and were signed on its behalf.

MO Bin
Director

YANG Ziying
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Statement of financial position and reserve movement of the Company (Continued)

Note:

Reserve movement of the Company

	Other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2018	865	5,801	6,666
Profit for the year	-	14,563	14,563
Deferred gains on cash flow hedges	35	-	35
Deferred costs of hedging	(1,099)	-	(1,099)
Dividends	-	(9,441)	(9,441)
Employee share schemes			
— Value of employee services	354	-	354
— Issue of shares pursuant to share option scheme	(33)	-	(33)
Change in fair value of financial assets at FVOCI	74	-	74
At 31 December 2018	196	10,923	11,119
At 1 January 2017	(47)	2,484	2,437
Profit for the year	-	8,700	8,700
Deferred losses on cash flow hedges	(104)	-	(104)
Deferred gains of hedging	751	-	751
Dividends	-	(5,383)	(5,383)
Employee share schemes			
— Value of employee services	265	-	265
At 31 December 2017	865	5,801	6,666



47 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2018, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
Smart World Development Holdings Ltd	28 March 2006	USD300	100%	0%	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD20,000,001	100%	0%	Investment holding
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd	21 March 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	0%	Investment holding and rendering of property related sales services
Incorporated in the BVI and operates in Mainland China:					
Falcon Investments Development Ltd	21 March 2006	USD300	100%	0%	Investment holding
Wise Fame Group Ltd	28 March 2006	USD300	100%	0%	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	0%	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	0%	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	0%	Investment holding
Power Great Enterprises Limited	10 December 2007	USD1	100%	0%	Investment holding
Great Favour Holdings Limited	16 July 2013	USD1	100%	0%	Investment holding
Silver Dawn Holdings Limited	23 January 2014	USD1	100%	0%	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	0%	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	0%	Investment holding
Smart Insight International Limited	15 February 2017	USD1	100%	0%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operates in Mainland:					
Guangdong Bright Dream Robotics Co., Ltd. (i) 廣東博智林機器人有限公司	17 July 2018	RMB2,000,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Industrial Investment Co., Ltd. (i) 佛山市順德區博智林實業投資有限公司	9 August 2018	RMB10,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Robotics Industrial Investment Co., Ltd. (i) 佛山市順德區博智林機器人產業投資有限公司	15 August 2018	RMB1,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Manufacturing Co., Ltd. (i) 廣東博智林智能製造有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Foshan Shunde Bright Dream Intelligent Technology Co., Ltd. (i) 廣東博智林智能技術有限公司	23 August 2018	RMB50,000,000	100%	0%	Research and development of robot intelligence
Guangdong Bright RuiEn Metal Technology Co., Ltd. (i) 廣東博睿恩金屬科技有限公司	19 November 2018	RMB100,000,000	60%	40%	Research and development of robot intelligence
Country Garden Agricultural Holding Co., Ltd. (i) 碧桂園農業控股有限公司	8 May 2018	RMB100,000,000	100%	0%	Agriculture and animal husbandry
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房地產置業有限公司	10 July 2017	RMB0	100%	0%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	0%	Property development
Country Garden Real Estate Group Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,292,986,520	100%	0%	Property development
Changshu Chengdong Country Garden Real Estate Development Co., Ltd. 常熟市城東碧桂園房地產開發有限公司	30 November 2017	RMB50,000,000	88%	12%	Property development
Chaohu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	0%	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB666,810,000	90%	10%	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Dongguan Hehe Industrial Investment Co., Ltd.* 東莞市合和實業投資有限公司	30 March 2011	RMB50,000,000	48%	52%	Property development
Dongguan Machong Country Garden Real Estate Development Co., Ltd. 東莞市麻涌碧桂園房地產開發有限公司	31 July 2015	RMB50,000,000	90%	10%	Property development
Dongguan Qishi Jindi Country Garden Real Estate Development Co., Ltd. (i) 東莞市企石金地碧桂園房地產開發有限公司	29 December 2016	RMB0	87%	13%	Property development
Dongguan Shijie Country Garden Real Estate Development Co., Ltd. 東莞市石碣碧桂園房地產開發有限公司	18 February 2016	RMB10,000,000	65%	35%	Property development
Dongguan Zhuangshi Real Estate Development Co., Ltd. 東莞莊士房地產開發有限公司	9 February 1999	RMB300,000,000	87%	13%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	0%	Property development
Foshan Green Lake Industrial Development Co., Ltd. 佛山市綠湖實業發展有限公司	30 November 1999	RMB70,000,000	85%	15%	Property development
Foshan Nanhai Danzao Country Garden Real Estate Development Co., Ltd. 佛山市南海區丹灶碧桂園房地產開發有限公司	26 February 2016	RMB0	94%	6%	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	0%	Property development
Foshan Shunde Zhouyu Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,241,966,520	100%	0%	Property development
Foshan Xin Ya Real Estate Co., Ltd.* 佛山信雅房地產有限公司	29 October 2015	RMB100,000,000	50%	50%	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	RMB1,764,473,626	100%	0%	Property development
Guangzhou Rongchuang Industrial Investment Co., Ltd. (i) 廣州融創實業投資有限公司	17 December 2014	RMB450,000,000	77%	23%	Property development
Guangzhou Zhengbi Real Estate Development Co., Ltd. (i) 廣州市鄭碧房地產開發有限公司	28 May 2015	RMB1,000,000	85%	15%	Property development
Guiyang Huaxi Country Garden Property Development Co., Ltd. 貴陽花溪碧桂園物業發展有限公司	31 October 2012	RMB50,000,000	100%	0%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd.* 海南寶蓮城(博鰲)實業有限公司	26 May 2003	RMB61,224,500	43%	57%	Property development
Hainan Lingshui Country Garden Runda Property Investment Co., Ltd.* 海南陵水碧桂園酒樓投資置業有限責任公司	11 April 2014	RMB200,000,000	49%	51%	Property development
Hangzhou Country Garden Jiutai Real Estate Co., Ltd. 杭州碧桂園久泰置業有限公司	14 September 2015	RMB300,000,000	94%	6%	Property development
Henan Country Garden Property Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	0%	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	0%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	0%	Property development
Huidong Country Garden Real Estate Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB449,000,000	100%	0%	Property development
Huizhou Minghui Investment Development Co., Ltd. 惠州明輝投資發展有限公司	12 January 2011	RMB20,000,000	91%	9%	Property development
Huizhou Taidong Real Estate Co., Ltd. 惠州市太東地產有限公司	21 June 2007	RMB277,669,055	51%	49%	Property development
Huizhou Taidong International Logistics Park Co., Ltd.* (i) 惠州市太東國際物流園有限公司	9 April 2007	RMB523,502,589	45%	55%	Property development
Jitian Construction and Development (Kunshan) Co., Ltd. 吉田建設開發(昆山)有限公司	10 September 2002	RMB104,256,603	85%	15%	Property development
Jiangsu Baohua Country Garden Real Estate Co., Ltd. 江蘇寶華碧桂園置業有限公司	9 March 2016	RMB20,000,000	77%	23%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	85%	15%	Property development
Jinzhong Country Garden Real Estate Development Co., Ltd.(i) 晉中碧桂園房地產開發有限公司	4 August 2016	RMB100,000,000	51%	49%	Property development
Jurong Baobi Real Estate Development Co., Ltd. 句容寶碧房地產開發有限公司	14 March 2016	RMB20,000,000	76%	24%	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	RMB3,789,622,034	100%	0%	Property development
Jurong Jinbi Real Estate Development Co., Ltd. 句容金碧房地產開發有限公司	5 August 2015	RMB20,000,000	90%	10%	Property development

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Kunshan Country Garden Real Estate Development Co., Ltd. 昆山市碧桂園房地產開發有限公司	13 January 2016	RMB20,000,000	85%	15%	Property development
Lanzhou Country Garden Real Estate Development Co., Ltd. 蘭州碧桂園房地產開發有限公司	1 February 2013	RMB630,000,000	100%	0%	Property development
Qingyuan Country Garden Xinya Real Estate Development Co., Ltd. 清遠碧桂園新亞房地產開發有限公司	25 January 2011	RMB300,000,000	100%	0%	Property development
Qingyuan Bi Sheng Real Estate Development Co., Ltd. 清遠市碧盛房地產開發有限公司	9 January 2017	RMB0	81%	19%	Property development
Qingyuan Bishun Real Estate Development Co., Ltd. (j) 清遠市碧順房地產開發有限公司	20 January 2017	RMB0	85%	15%	Property development
Shantou Country Garden Investment Co., Ltd. 汕頭市碧桂園投資有限公司	6 September 2016	RMB10,000,000	66%	34%	Property development
Shantou Country Garden Property Co., Ltd. 汕頭市碧桂園置業有限公司	11 August 2016	RMB10,000,000	94%	6%	Property development
Shanghai Xinbi Garden Property Development Co., Ltd. 上海新碧房地產開發有限公司	26 August 2015	RMB20,000,000	100%	0%	Property development
Shaoguan Bihong Real Estate Investment and Development Co., Ltd.* 韶關市碧鴻房地產投資開發有限公司	22 December 2016	RMB820,370,722	43%	57%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	0%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB761,000,000	100%	0%	Property development
Shenyang Hunnan Xincheng County Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	0%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	0%	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	0%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Taizhou Xinbi Real Estate Development Co., Ltd. 泰州新碧房地產開發有限公司	12 January 2017	RMB200,000,000	89%	11%	Property development
Wengyuan Country Garden Real Estate Development Co., Ltd. (i) 翁源縣碧桂園房地產開發有限公司	17 August 2016	RMB1,000,000	60%	40%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	0%	Property development
Xi'an Bajie Real Estate Development Co., Ltd. (i) 西安灑界房地產開發有限公司	7 August 2017	RMB10,000,000	90%	10%	Property development
Yinchuan Country Garden Real Estate Development Co., Ltd. 銀川碧桂園房地產開發有限公司	24 January 2017	RMB12,000,000	87%	13%	Property development
Xingyang Bixi Real Estate Co., Ltd. (i) 滎陽碧璽置業有限公司	22 September 2016	RMB240,000	94%	6%	Property development
Yunnan Bicheng Real Estate Development Co., Ltd. (i) 雲南碧城房地產開發有限公司	29 June 2016	RMB403,000,000	94%	6%	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	0%	Property development
Zhongshan Bilang Real Estate Development Co., Ltd.* 中山市碧朗房地產開發有限公司	20 January 2017	RMB100,000,000	48%	52%	Property development
Zhongshan Shengdu Property Development Co., Ltd. 中山市聖都房地產開發有限公司	8 November 2001	RMB26,350,000	72%	28%	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	0%	Construction
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,200,000,000	100%	0%	Construction
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	0%	Hotel operation
Shenzhen Bisheng Development Co., Ltd. 深圳碧盛發展有限公司	19 November 2015	RMB62,500,000	100%	0%	Investment consulting
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽濱北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	0%	Property development
Guangdong Shunde Phoenix Optimal Commercial Co., Ltd. (i) 廣東順德鳳凰優選商業有限公司	24 January 2017	RMB425,000,000	100%	0%	Retail

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Development Co., Ltd. 佛山市順德區龍江碧桂園房地產開發有限公司	20 July 2015	RMB0	73%	27%	Property development
Foshan Shunde Lunjiao Country Garden Real Estate Development Co., Ltd. 佛山市順德區倫教碧桂園房地產開發有限公司	18 March 2016	RMB1,000,000	95%	5%	Property development
Foshan Shunde Panpu Culture Co., Ltd. (i) 佛山市順德區洋浦文化有限公司	19 June 2018	RMB0	100%	0%	Cultural activity planning
Foshan Shunde Xingtian Country Garden Real Estate Development Co., Ltd. (i) 佛山市順德區杏壇碧桂園房地產開發有限公司	28 April 2018	RMB0	100%	0%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司	11 December 2013	RMB10,000,000	92%	8%	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	0%	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司	1 September 2017	RMB5,000,000	51%	49%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司 (i)	18 September 2017	RMB1,000,000	57%	43%	Property development
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司	3 January 2017	RMB1,000,000	91%	9%	Property development
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產信息諮詢有限公司	26 July 2013	RMB2,000,000	100%	0%	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB10,000,000	100%	0%	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	0%	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司	14 March 2017	RMB34,659,000	100%	0%	Construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	0%	Biomass energy development
Guangdong Cheng Jia Decoration Design Engineering Co., Ltd. 廣東誠加裝飾設計工程有限公司	9 August 1999	RMB300,000,000	100%	0%	Construction
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB300,000,000	100%	0%	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	0%	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	0%	Food sales
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	0%	Landscape design
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB0	100%	0%	Real estate consulting
Established and operate overseas:					
BGY North Ryde Pty Ltd. 碧桂園北萊德私人有限公司	1 October 2013	AUD1	100%	0%	Property development
BGY Cityview Holdings LLC* 碧桂園城市天際控股有限責任公司	6 July 2017	USD227,996,201	46%	54%	Property development
Country Garden Danga Bay Sdn. Bhd. 碧桂園金海灣有限公司	16 October 2012	RM150,000,100	100%	0%	Property development
Country Garden Real Estate Sdn. Bhd. 馬來西亞碧桂園房產有限公司	16 December 2013	RM1,000,000	100%	0%	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority voting position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

48 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer of the Company is set out below:

For the year ended 31 December 2018:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	-	-	15	10,015
Co-Chairman						
Ms. YANG Huiyan (re-designated on 7 December 2018)	-	15,000	-	-	15	15,015
Executive directors						
Mr. MO Bin*	-	15,000	16,321	37,509	15	68,845
Ms. YANG Ziyiing	-	10,000	-	-	15	10,015
Mr. YANG Zhicheng	-	4,000	24,834	6,278	44	35,156
Mr. XIE Shutai (resigned on 2 March 2018)	-	658	3,638	51	13	4,360
Mr. SONG Jun	-	4,000	37,127	13,223	71	54,421
Mr. LIANG Guokun	-	4,000	43,918	-	20	47,938
Mr. SU Baiyuan	-	4,000	19,235	3,232	19	26,486
Non-executive director						
Mr. CHEN Chong	-	370	1	-	15	386
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Mr. MEI Wenjue (resigned on 2 March 2018)	39	-	-	-	-	39
Mr. YEUNG Kwok On	240	-	-	-	-	240
	1,509	67,028	145,074	60,293	242	274,146

* Chief executive officer of the Company

i Ms. YANG Huiyan was re-designated from a Vice Chairman to a Co-Chairman of the Company on 7 December 2018, and remain as an executive Director of the Company.

ii Mr. XIE Shutai resigned on 2 March 2018 as executive director of the Company, and Mr. MEI Wenjue resigned on 2 March 2018 as independent non-executive director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Benefits and interests of directors (Continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2017:

Name of director	Fees RMB'000	Salary (note) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	–	10,000	190	–	14	10,204
Executive directors						
Ms. YANG Huiyan	–	6,000	–	–	48	6,048
Mr. MO Bin*	–	6,000	27,828	–	67	33,895
Mr. ZHU Rongbin (resigned on 1 June 2017)	–	2,292	19,526	–	40	21,858
Mr. WU Jianbin (resigned on 1 April 2017)	–	1,250	3,260	–	106	4,616
Ms. YANG Ziyang	–	4,000	220	–	48	4,268
Mr. SU Rubo (resigned on 1 April 2017)	–	1,000	865	190	12	2,067
Mr. OU Xueming (resigned on 1 April 2017)	–	1,000	722	729	12	2,463
Mr. YANG Zhicheng	–	4,000	18,155	5,075	43	27,273
Mr. XIE Shutai (resigned on 2 March 2018)	–	4,000	2,361	190	86	6,637
Mr. SONG Jun	–	4,000	31,945	5,670	86	41,701
Mr. LIANG Guokun	–	4,000	25,266	–	43	29,309
Mr. SU Baiyuan	–	4,000	37,836	1,188	12	43,036
Non-executive director						
Mr. CHEN Chong	–	370	–	–	–	370
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	–	–	–	–	330
Mr. SHEK Lai Him, Abraham	330	–	–	–	–	330
Mr. TONG Wui Tung, Ronald	330	–	–	–	–	330
Mr. HUANG Hongyan	240	–	–	–	–	240
Ms. HUANG Xiao (resigned on 1 April 2017)	60	–	–	–	–	60
Mr. MEI Wenjue (resigned on 2 March 2018)	240	–	–	–	–	240
Mr. YEUNG Kwok On	240	–	–	–	–	240
	1,770	51,912	168,174	13,042	617	235,515



48 Benefits and interests of directors (Continued)

(a) Directors' emoluments (continued)

- * Chief executive officer of the Company
- i. Mr. ZHU Rongbin resigned on 1 June 2017 as executive director of the Company.
- ii. Mr. WU Jianbin, Mr. SU Rubo, and Mr. OU Xueming resigned on 1 April 2017 as executive director of the Company.
- iii. Ms. HUANG Xiao resigned on 1 April 2017 as independent non-executive director of the Company.

Note: Salary paid to a director of the Company is generally an emolument paid or payable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiaries.

(b) Directors' retirement benefits

During the year ended 31 December 2018, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2017: nil).

(c) Directors' termination benefits

During the year ended 31 December 2018, no payments to the directors of the Company as compensation for the early termination of the appointment (2017: nil).

(d) Consideration provided to or receivable by third parties for making available directors' services

During the year ended 31 December 2018, there were no considerations provided to or receivable by any third party for making available the services of a person as a director of the Company (2017: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there were, no loans quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate by and connected entities with such directors (2017: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, 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 (2017: nil).

Independent Auditor's Report



羅兵咸永道

To the Shareholders of Country Garden Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Country Garden Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 124 to 254, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 cash flow statement 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of properties over time
- Assessment of net realisable value of properties under development and completed properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recognition of revenue from sales of properties over time</p> <p>Refer to note 3 'Change in accounting policies', note 5 'Critical accounting estimates and judgments' and note 6 'Revenue and segment information' to the consolidated financial statements.</p> <p>Revenue from sales of properties is recognised over time when the Group's performance under a sales contract does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, the revenue is recognised at a point in time when the buyer obtains control of the completed property. For the year ended 31 December 2017, revenue of the Group from sales of properties was RMB220,157,369,000, of which RMB60,806,904,000 was recognised over time.</p> <p>The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for certain sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.</p>	<p>To address this key audit matter, we performed audit procedures as follows:</p> <p>In assessing the appropriateness of management's judgments as to whether the Group has the enforceable right to payment in those sales contracts recognised over time, we have:</p> <ul style="list-style-type: none"> • Understood and evaluated management's procedures in identifying and classifying sales contracts with or without right to payment. • Reviewed the key terms of a sample of sales contracts to assess the presence of right to payment based on the contract terms. • Obtained and reviewed the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment. • Assessed the competence, experience and objectivity of the legal counsel engaged by the management. <p>In respect of the completeness of the estimated total contract costs and the accuracy of progress towards complete satisfaction of the performance obligation, we have:</p> <p>(i) Compared the actual development costs of completed projects to management's prior estimations of total development costs to assess management's experience and capability on making cost estimates.</p>

Independent Auditor's Report

Key Audit Matter

For the revenue from sales of properties recognised over time, the Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date.

Given the involvement of significant judgments and estimations, recognition of revenue from sales of properties over time is considered a key audit matter.

How our audit addressed the Key Audit Matter

- (ii) Understood, evaluated and validated the internal controls over the generation of cost data of the property unit.
- (iii) Assessed the reasonableness of the basis for cost allocation.
- (iv) Tested the completeness of the estimated total development costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date, by performing procedures below on a sample basis:
 - Compared the estimated total development costs of the project and property unit to the budget approved by management.
 - Tested the development costs incurred by tracing to the supporting documents and the reports from external supervising engineers, where applicable.
 - Checked the mathematical accuracy of the computation of cost allocation and progress of the property unit.

We found that the significant judgments and estimations used in determining whether the Group has the enforceable right to payment, and the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date were supportable by available evidence.

Key Audit Matter

Assessment of net realisable value of properties under development and completed properties held for sale

Refer to note 5 'Critical accounting estimates and judgments', note 11 'Properties under development' and note 14 'Completed properties held for sale' to the consolidated financial statements.

The properties under development ("PUD") and completed properties held for sale ("PHS") of the Group amounted to RMB459,762,485,000 and RMB27,886,487,000 respectively as at 31 December 2017, which in total accounted for approximately 46% of the Group's total assets. The carrying amounts of PUD and PHS are stated at the lower of cost and net realisable value ("NRV").

Determination of NRV of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and, for PUD, the costs to completion. Given the significant balance of PUD and PHS and the involvement of critical accounting estimates, the assessment of NRV of these properties is considered a key audit matter.

How our audit addressed the Key Audit Matter

We obtained management's NRV assessment on PUD and PHS and performed audit procedures as follows:

- (i) Compared the relevant PUD and PHS balances, on a sample basis, against the result of management's NRV assessment made in the prior year to consider, with hindsight, whether management's NRV assessment and process had been subject to management bias.
- (ii) Challenged management's key estimates, on a sample basis, for:
 - Selling price which is estimated based on the prevailing market conditions. We compared the estimated selling price to the recent market transactions by making reference to the Group's selling price of pre-sale units in the same project or the prevailing market price of comparable properties with similar type, size and location.
 - Variable selling expenses are estimated based on certain percentage of selling price. We compared the above estimated percentage with the actual average selling expenses to revenue ratio of the Group in recent years.
 - Estimated costs to completion for PUD, we reconciled the estimated costs to completion to the budget approved by management and examined the construction contracts or compared the anticipated completion costs to the actual costs of similar type of completed properties of the Group.

We found the key estimates used in the assessment of NRV of PUD and PHS were supportable by available evidence.

Independent Auditor's Report

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 Audit Committee 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.

The Audit Committee is 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2018

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	7	21,628,081	20,877,029
Investment properties	8	8,338,114	9,773,430
Intangible assets	9	391,513	239,367
Land use rights	10	2,425,498	2,536,458
Properties under development	11	98,840,493	52,342,374
Investments in joint ventures	12(b)	19,345,513	7,311,153
Investments in associates	12(c)	11,584,871	3,873,349
Financial assets at fair value through other comprehensive income	13	1,517,013	870,734
Derivative financial instruments	22	112,605	1,034,387
Trade and other receivables	16	5,372,425	55,500
Deferred income tax assets	29	12,197,682	7,822,313
		181,753,808	106,736,094
Current assets			
Properties under development	11	360,921,992	216,383,252
Completed properties held for sale	14	27,886,487	30,885,254
Inventories	15	4,251,331	2,203,727
Trade and other receivables	16	270,541,328	117,321,747
Contract assets	3	15,737,782	–
Prepaid taxes		15,296,708	14,042,259
Restricted cash	17	11,318,174	11,843,988
Cash and cash equivalents	18	137,083,948	84,646,899
Financial assets at fair value through profit or loss	19	24,830,435	7,321,236
Derivative financial instruments	22	47,265	187,145
		867,915,450	484,835,507
Current liabilities			
Advanced proceeds received from customers	3	–	192,408,932
Contract liabilities	3	346,747,257	–
Trade and other payables	20	330,883,833	151,789,260
Receipts under securitisation arrangements	21	1,805,104	7,043,440
Current income tax liabilities		21,607,130	15,310,412
Senior notes	23	3,795,242	–
Corporate bonds	24	16,814,444	8,207,477
Bank and other borrowings	25	47,671,787	30,512,725
Derivative financial instruments	22	212,013	41,762
		769,536,810	405,314,008
Net current assets		98,378,640	79,521,499
Total assets less current liabilities		280,132,448	186,257,593

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Senior notes	23	28,118,337	29,264,448
Corporate bonds	24	30,520,235	29,502,147
Bank and other borrowings	25	87,844,982	38,710,079
Deferred government grants		233,440	237,445
Deferred income tax liabilities	29	16,447,649	6,928,304
Derivative financial instruments	22	355,876	–
		163,520,519	104,642,423
Equity attributable to owners of the Company			
Share capital and premium	26	24,460,811	25,677,217
Other reserves	28	5,942,669	4,484,042
Retained earnings	28	63,267,092	39,967,106
		93,670,572	70,128,365
Non-controlling interests		22,941,357	11,486,805
Total equity		116,611,929	81,615,170
Total equity and non-current liabilities		280,132,448	186,257,593

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

The financial statements on pages 124 to 254 were approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Revenue	6	226,899,786	153,086,977
Cost of sales	31	(168,114,404)	(120,850,891)
Gross profit		58,785,382	32,236,086
Other income and gains – net	30	2,611,495	1,530,465
Gains arising from changes in fair value of and transfer to investment properties	8	504,718	711,604
Selling and marketing costs	31	(10,002,400)	(7,383,618)
Administrative expenses	31	(8,301,008)	(4,970,364)
Operating profit		43,598,187	22,124,173
Finance income	33	3,422,652	532,870
Finance costs	33	(146,566)	(1,628,175)
Finance income/(costs) – net	33	3,276,086	(1,095,305)
Share of results of joint ventures and associates	12(b), 12(c)	(352,304)	361,704
Profit before income tax		46,521,969	21,390,572
Income tax expenses	34	(17,770,164)	(7,727,349)
Profit for the year		28,751,805	13,663,223
Profit attributable to:			
– Owners of the Company		26,063,518	11,516,815
– Non-controlling interests			
Perpetual capital securities		–	1,409,534
Other non-controlling interests		2,688,287	736,874
		2,688,287	2,146,408
		28,751,805	13,663,223

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	28	(56,435)	45,921
Items that may be reclassified to profit or loss:			
– Deferred (losses)/gains on cash flow hedges, net of tax	22(d)	(103,806)	89,982
– Deferred gains/(costs) of hedging, net of tax	22(d)	750,560	(295,901)
– Currency translation differences		155,576	299,455
Total other comprehensive income for the year, net of tax		745,895	139,457
Total comprehensive income for the year		29,497,700	13,802,680
Total comprehensive income attributable to:			
– Owners of the Company		26,775,128	11,585,197
– Non-controlling interests			
Perpetual capital securities		–	1,409,534
Other non-controlling interests		2,722,572	807,949
		2,722,572	2,217,483
		29,497,700	13,802,680
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
Basic	37	122.80	52.17
Diluted	37	122.46	52.13

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	Total Equity RMB'000
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170
Adjustment on adoption of HKFRS 15, net of tax (note 3(a))	-	-	3,152,346	3,152,346	-	435,464	435,464	3,587,810
Restated balance at 1 January 2017	25,677,217	4,484,042	43,119,452	73,280,711	-	11,922,269	11,922,269	85,202,980
Comprehensive income								
Profit for the year	-	-	26,063,518	26,063,518	-	2,688,287	2,688,287	28,751,805
Other comprehensive income								
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	(56,435)	-	(56,435)	-	-	-	(56,435)
– Deferred losses on cash flow hedges, net of tax (note 22(d))	-	(103,806)	-	(103,806)	-	-	-	(103,806)
– Deferred gains of hedging, net of tax (note 22(d))	-	750,560	-	750,560	-	-	-	750,560
– Currency translation differences	-	121,291	-	121,291	-	34,285	34,285	155,576
Total comprehensive income for the year	-	711,610	26,063,518	26,775,128	-	2,722,572	2,722,572	29,497,700

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	
Transactions with owners in their capacity as owners:								
Capital injections from non-controlling interests	-	-	-	-	-	4,342,700	4,342,700	4,342,700
Transfer to statutory reserves	-	1,129,399	(1,129,399)	-	-	-	-	-
Dividends and distributions	-	-	(5,382,105)	(5,382,105)	-	-	-	(5,382,105)
Buy-back of shares (note 26)	(1,216,406)	-	-	(1,216,406)	-	-	-	(1,216,406)
Employee share schemes:								
– value of employee services (note 27)	-	265,268	-	265,268	-	-	-	265,268
Non-controlling interests arising from business combination (note 42)	-	-	-	-	-	4,535,124	4,535,124	4,535,124
Reclassification of revaluation reserve upon disposal	-	(595,626)	595,626	-	-	-	-	-
Disposal of subsidiaries (note 41)	-	-	-	-	-	(745,997)	(745,997)	(745,997)
Changes in ownership interests in subsidiaries without change of control (note 40)	-	(52,024)	-	(52,024)	-	164,689	164,689	112,665
Total transactions with owners	(1,216,406)	747,017	(5,915,878)	(6,385,267)	-	8,296,516	8,296,516	1,911,249
Balance at 31 December 2017	24,460,811	5,942,669	63,267,092	93,670,572	-	22,941,357	22,941,357	116,611,929

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Non-controlling interests			Total Equity RMB'000
	Share capital and premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Perpetual capital securities RMB'000	Others RMB'000	Total RMB'000	
Balance at 1 January 2016	29,212,611	3,942,139	31,808,028	64,962,778	19,528,000	4,521,696	24,049,696	89,012,474
Comprehensive income								
Profit for the year	-	-	11,516,815	11,516,815	1,409,534	736,874	2,146,408	13,663,223
Other comprehensive income								
– Change in fair value of financial assets at fair value through other comprehensive income, net of tax	-	45,921	-	45,921	-	-	-	45,921
– Deferred gains on cash flow hedges, net of tax	-	89,982	-	89,982	-	-	-	89,982
– Deferred costs of hedging, net of tax	-	(295,901)	-	(295,901)	-	-	-	(295,901)
– Currency translation differences	-	228,380	-	228,380	-	71,075	71,075	299,455
Total comprehensive income for the year	-	68,382	11,516,815	11,585,197	1,409,534	807,949	2,217,483	13,802,680
Transactions with owners in their capacity as owners:								
Capital injections	-	86,400	-	86,400	-	3,298,877	3,298,877	3,385,277
Redemption of perpetual capital securities	-	-	-	-	(19,528,000)	-	(19,528,000)	(19,528,000)
Transfer to statutory reserves	-	352,697	(352,697)	-	-	-	-	-
Dividends and distributions	-	-	(3,005,040)	(3,005,040)	(1,409,534)	(162,931)	(1,572,465)	(4,577,505)
Buy-back of shares (note 26)	(3,535,394)	-	-	(3,535,394)	-	-	-	(3,535,394)
Employee share schemes:								
– value of employee services (note 27)	-	82,834	-	82,834	-	-	-	82,834
Non-controlling interests arising from business combination	-	-	-	-	-	2,888,606	2,888,606	2,888,606
Disposal of subsidiaries	-	-	-	-	-	(11,653)	(11,653)	(11,653)
Changes in ownership interests in subsidiaries without change of control	-	(48,410)	-	(48,410)	-	144,261	144,261	95,851
Total transactions with owners	(3,535,394)	473,521	(3,357,737)	(6,419,610)	(20,937,534)	6,157,160	(14,780,374)	(21,199,984)
Balance at 31 December 2016	25,677,217	4,484,042	39,967,106	70,128,365	-	11,486,805	11,486,805	81,615,170

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	54,001,158	57,303,143
Income tax paid		(19,115,245)	(9,919,363)
Interest paid		(10,802,299)	(6,121,022)
Net cash generated from operating activities		24,083,614	41,262,758
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	42	(1,903,865)	(3,122,462)
Proceeds from disposal of property, plant and equipment	36	353,912	232,365
Cash inflow/(outflow) on disposal of subsidiaries, net	41	131,562	(595,296)
Purchases of property, plant and equipment		(3,301,385)	(1,907,034)
Payments for investment properties		(54,987)	(107,035)
Purchases of intangible assets		(112,582)	(19,321)
Purchases of land use rights		(107,751)	(545,019)
Investments in joint ventures		(9,853,250)	(5,295,417)
Investments in associates		(6,829,107)	(1,625,033)
Deposits for acquisitions of companies	16	(4,646,925)	–
Loans advanced to related and third parties		(1,915,147)	(2,046,832)
Repayments from loans to third parties		515,210	775,971
Payments for financial assets at fair value through other comprehensive income	13	(707,283)	(601,962)
Payments for financial assets at fair value through profit or loss		(18,388,996)	(6,133,140)
Proceeds from disposals of financial assets at fair value through profit or loss		816,000	–
Interest received	33	1,619,973	532,870
Net cash used in investing activities		(44,384,621)	(20,457,345)

Consolidated Cash Flow Statement

	Note	Year ended 31 December	
		2017 RMB'000	2016 RMB'000
Cash flows from financing activities			
Capital injections from non-controlling interests		4,342,700	3,385,277
Buy-back of shares	26	(1,216,406)	(3,535,394)
Proceeds from disposal of interests in subsidiaries without loss of control	40	295,199	12,000
Payments for acquisition of additional interests in subsidiaries	40	(182,534)	(244,671)
Issue of corporate bonds	24	10,663,805	21,901,130
Redemption and repayment of perpetual capital securities		–	(19,528,000)
Redemption of senior notes	23(a)(iii)	(3,808,411)	–
Repayment of corporate bonds	24	(1,124,815)	–
Issue of senior notes	23	7,746,953	6,654,357
Settlement of derivative financial instruments		(373,746)	–
Repayments of receipts under securitisation arrangements		(5,238,336)	–
Proceeds under securitisation arrangements	21	–	7,043,440
Proceeds from bank and other borrowings		87,105,843	36,535,512
Repayments of bank and other borrowings		(20,006,471)	(20,507,403)
Dividends paid to owners of the Company	35	(5,382,105)	(3,005,040)
Distribution to holders of perpetual capital instruments		–	(1,192,419)
Dividends paid to other non-controlling interests		–	(64,631)
Net cash generated from financing activities		72,821,676	27,454,158
Net increase in cash and cash equivalents		52,520,669	48,259,571
Cash and cash equivalents at the beginning of the year		84,646,899	36,240,752
Exchange (losses)/gains on cash and cash equivalents		(83,620)	146,576
Cash and cash equivalents at the end of the year	18	137,083,948	84,646,899

The notes on pages 133 to 254 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

Country Garden Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries (collectively, the “Group”) are principally engaged in the property development, construction, property investment, property management and hotel operation.

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 20 March 2018.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group.

2.1 Basis of preparation

(i) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2017 reporting periods and relevant to the Group and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKAS 40	Transfers of investment properties	1 January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The above new standards, amendments and interpretations to standards are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(iv) New and amended standards adopted by the Group

The Group has elected to early adopt the following standards:

- Financial instruments — HKFRS 9 in prior year, and
- Revenue from contracts with customers — HKFRS 15 in current year (Refer to note 3).

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(iv) *New and amended standards adopted by the Group (Continued)*

The Group has also applied the following standards and amendments for the first time in current year:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to HKAS 12, and
- Disclosure initiative — amendments to HKAS 7.

The amendments to HKAS 12 did not have any significant impact on the amounts recognised in prior, current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 36(c).

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.

(i) *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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(i) Business combinations (Continued)

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 profit or loss.

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 with the Group's accounting policies.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(iii) 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 HKFRS.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends 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 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)

2.3 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, 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 an associate' in profit or loss.

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.

Gain or losses on dilution of equity interest in associates are recognised in profit or loss.

2.4 Joint arrangements

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. 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of results of a joint venture' in profit or loss.

2 Summary of significant accounting policies (Continued)

2.4 Joint arrangements (Continued)

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests 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.

2.5 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 of the Company that make strategic decisions.

2.6 Foreign currency translation

(i) 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 which is the Company's functional currency and the Group's presentation currency.

(ii) 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 profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs', except when capitalised on the basis set out in note 2.26. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other income and gains – net'.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each consolidated statement of comprehensive income 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
- All resulting exchange differences are recognised in other comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss 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	20–40 years
Machinery	5–10 years
Transportation equipment	5–10 years
Furniture, fitting and equipment	5–8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other income and gains-net' in the consolidated statement of comprehensive income.

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. Land 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.

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. Changes in fair values are recorded in profit or loss as part of a valuation gain or loss.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. For a transfer from completed properties held for sale or properties under development to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The Group shall transfer a property from investment property to property under development when it commences related development with a view to sale. For a transfer from investment property that is carried at fair value to property under development, related property under development shall be recognised at fair value at the transfer date.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets

(i) 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 value 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.

(ii) Computer software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to 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 Summary of significant accounting policies (Continued)

2.11 Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.



Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

(ii) Recognition and measurement (Continued)

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (OCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'other income and gains – net'. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of comprehensive income within 'other income and gains – net' in the period in which it arises. Interest income from these financial assets is included in the 'finance income'.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other income and gains – net' in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (Continued)

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4(a) details how the Group determines whether there has been a significant increase in credit risk.

For contract assets and all trade and other receivables (excluding prepayment and loans to related and third parties), the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. Otherwise, the change of fair value is recognised immediately in profit or loss within 'other income and gains – net'.

The Group designates some of their derivatives as hedges of foreign exchange and interest rate risks associated with the cash flows of their foreign currency borrowings (cash flow hedges). The Group documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedge relationship.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity, limited to the cumulative change in fair value of the hedged item on a present value basis from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within 'finance income/ (costs) – net'.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.13 Derivative financial instruments and hedging activities *(Continued)*

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the option contracts are recognised in the cash flow hedge reserve within equity. The changes in the time value of the option contracts that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned time value at the date of designation of the option as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. The aligned forward element at the date of designation of the forward contract as a hedging instrument is amortised on a systematic and rational basis to profit or loss over the period.

When a financial instrument that involves exchanges of cash flows that are denominated in different currencies is used in a hedge transaction, the foreign currency basis spread of the instrument is separated and excluded from the designated hedging instrument. The change in fair value of this excluded portion (to the extent it relates to the hedged item) is recognised in other comprehensive income and is accumulated in a separate component of equity. For time-period related hedged items, the currency basis spread at the date of designation (to the extent that it relates to the hedged item) is amortised on a systematic and rational basis to profit or loss over the period.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

2 Summary of significant accounting policies (Continued)

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.15 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 sold 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 cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Costs to fulfill a contract comprise the development cost and land use right cost directly related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfill a contract are recorded in properties under development if they are expected to be recovered. The amount is amortised on a systematic basis, consistent with the pattern of revenue recognition of the contract to which the asset relates.

2.16 Completed properties held for sale

Completed properties remaining unsold at year end 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 the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2.17 Inventories

Inventories are stated at the lower of cost or 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.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.18 Trade and other receivables

Trade receivables are amounts due from customers for properties sold or 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 provision for impairment.

2.19 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2.20 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect is included in equity attributable to the owners of Company.

2.22 Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or with contractual right to unconditionally delay the payment of any distribution are classified as part of equity.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2 Summary of significant accounting policies (Continued)

2.23 Government grants (Continued)

Government grants relating to construction of hotel properties are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets when they are completed and ready for use.

2.24 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.26 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 differences 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 for each annual period and is limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.27 Senior notes

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

In subsequent periods, the debt component of the senior notes is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the senior notes are allocated to the liability and early redemption option components in proportion to their relative fair values. Transaction costs relating to the early redemption option are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the liability portion and amortised over the period of the senior notes using the effective interest method.

2.28 Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method.

Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method.

2.29 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised 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.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of statement of financial position in the countries where the Company's subsidiaries 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.

2 Summary of significant accounting policies (Continued)

2.29 Current and deferred income tax (Continued)

(ii) 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 date of statement of financial position 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when 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 joint venture's or 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 arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.30 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes on a monthly basis to various defined contribution benefit plans organised by the relevant governmental authorities. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Assets of the plans are held and managed by government authorities and are separated from those of the Group.

(ii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.31 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (including shares options and awarded shares) of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 Summary of significant accounting policies *(Continued)*

2.31 Share-based payments *(Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of equity instruments over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

2.32 Provisions and contingent liabilities

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.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.32 Provisions and contingent liabilities (Continued)

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.33 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales with the Group companies. 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.

(i) Sales of properties and construction services

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2 Summary of significant accounting policies (Continued)

2.33 Revenue recognition (Continued)

(i) Sales of properties and construction services (Continued)

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(ii) Hotel operation

Revenue from hotel operation is recognised in the accounting period in which the services are rendered.

(iii) Property management

Revenue arising from property management is recognised in the accounting period in which the services are rendered. The Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of service. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(iv) Property investment

Rental income from properties leasing under operating leases is recognised on a straight-line basis over the lease terms.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.34 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.35 Dividend income

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

2.36 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

(a) *The Group is the lessee under operating lease other than land use rights*

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(b) *The Group is the lessee under operating lease of land use rights*

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties. Rental income from operating lease is recognised over the term of the lease on a straight-line basis.

2.37 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.38 Insurance contracts

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

2 Summary of significant accounting policies (Continued)

2.38 Insurance contracts (Continued)

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers and financial guarantee contracts provided to its related parties as insurance contracts.

3 Change in accounting policies

The Group has elected to early adopt Hong Kong Financial Reporting Standard 15 “Revenue from Contracts with Customers” (“HKFRS 15”) as issued by the HKICPA for its 2017 financial year. The Group believes the new accounting policies provide more relevant information for users to assess the nature, amounts, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of HKFRS 15 from 1 January 2017 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2017, thus the comparative figures have not been restated.

HKFRS 15 replaces the provisions of HKAS 18 “Revenue” (“HKAS 18”) and HKAS 11 “Construction contracts” (“HKAS 11”) that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2017 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advanced proceeds received from customers.
- Contract assets recognised in relation to construction activities were previously presented as trade and other receivables - amounts due from customers for contract work.

Notes to the Consolidated Financial Statements

3 Change in accounting policies (Continued)

Accounting for property development activities

In prior reporting periods, the Group accounted for property development activities when significant risk and rewards of ownership has been transferred to the customers on delivery in its entirety at a single time upon vacant possession and not continuously as construction progresses.

Under HKFRS 15, when the properties that have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, the Group recognises revenue as the performance obligations are satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

Accounting for costs incurred to obtain a contract

Following the adoption of HKFRS 15, costs such as stamp duty and sales commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets.

Accounting for significant financing component

For contracts where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

3 Change in accounting policies (Continued)

(a) The impact on the Group's financial position by the application of HKFRS 15 is as follows:

	As at 1 January 2017			
	As previously stated RMB'000	Reclassifications under HKFRS 15 RMB'000	Adjustments under HKFRS 15 RMB'000	Restated RMB'000
Consolidated statement of financial position (extract)				
Properties under development	268,725,626	–	(8,949,148)	259,776,478
Trade and other receivables	117,377,247	(667,059)	(2,201,476)	114,508,712
Contract assets	–	667,059	6,089,288	6,756,347
Advanced proceeds received from customers	192,408,932	(167,885,253)	(24,523,679)	–
Trade and other payables	151,789,260	–	12,197,462	163,986,722
Contract liabilities	–	167,885,253	1,996,785	169,882,038
Deferred income tax liabilities	6,928,304	–	1,680,286	8,608,590
Retained earnings	39,967,106	–	3,152,346	43,119,452
Non-controlling interests	11,486,805	–	435,464	11,922,269

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows:

	As at 31 December 2017		
	Amounts without the early adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated statement of financial position (extract)			
Properties under development	487,499,976	(27,737,491)	459,762,485
Trade and other receivables	282,019,803	(6,106,050)	275,913,753
Contract assets	–	15,737,782	15,737,782
Investment in joint ventures and associates	30,581,947	348,437	30,930,384
Advanced proceeds received from customers	388,020,274	(388,020,274)	–
Trade and other payables	324,464,398	6,419,435	330,883,833
Contract liabilities	–	346,747,257	346,747,257
Deferred income tax liabilities	10,923,461	5,524,188	16,447,649
Retained earnings	53,856,460	9,410,632	63,267,092
Non-controlling interests	20,779,917	2,161,440	22,941,357

Notes to the Consolidated Financial Statements

3 Change in accounting policies (Continued)

(b) The amount by each financial statements line items affected in the current year and year to date by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15 is as follows: (Continued)

	Year ended 31 December 2017		
	Amounts without the adoption of HKFRS 15 RMB'000	Effects of the adoption of HKFRS 15 RMB'000	Amounts as reported RMB'000
Consolidated statement of comprehensive income (extract)			
Revenue	198,133,790	28,765,996	226,899,786
Cost of sales	(151,423,420)	(16,690,984)	(168,114,404)
Selling and marketing costs	(9,381,049)	(621,351)	(10,002,400)
Administrative expenses	(8,348,897)	47,889	(8,301,008)
Income tax expenses	(13,904,439)	(3,865,725)	(17,770,164)
Share of results of joint ventures and associates	(700,741)	348,437	(352,304)
Profit for the year	20,767,543	7,984,262	28,751,805
– Profit attributable to owners of the Company	19,805,232	6,258,286	26,063,518
– Profit attributable to non-controlling interests	962,311	1,725,976	2,688,287
Consolidated cash flow statement (extract)			
Cash generated from operations			
– Profit for the year	20,767,543	7,984,262	28,751,805
– Share of results of joint ventures and associates	700,741	(348,437)	352,304
Changes in working capital:			
– Properties under development and completed properties held for sale	(153,535,602)	18,788,343	(134,747,259)
– Trade and other receivables	(158,942,467)	3,237,515	(155,704,952)
– Contract assets	–	(8,981,435)	(8,981,435)
– Contract liabilities	–	176,865,219	176,865,219
– Trade and other payables	131,729,488	(1,934,125)	129,795,363
– Advanced proceeds received from customers	195,611,342	(195,611,342)	–

3 Change in accounting policies (Continued)

(c) Details of contract assets are as follows:

	31 December 2017 RMB'000	1 January 2017 RMB'000
Contract assets related to sales of properties (note i)	8,417,379	3,328,104
Contract assets related to construction services (note i)	1,695,474	667,059
Costs for obtaining contracts (note ii)	5,624,929	2,761,184
Total contract assets	15,737,782	6,756,347

Notes:

- (i) Contract assets consist of unbilled amount resulting from sale of properties and construction when the cost-to-cost method of revenue recognised exceeds the amount billed to the customer. Increase in contract assets during the year was in line with the growth of the Group's contracted sales and also due to an amount of RMB2,461,300,000 recognised in relation to business combination.
- (ii) Management expects the incremental costs, primarily sale commission and stamp duty paid/payable, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2017, the amount of amortisation was RMB573,462,000 and there was no impairment loss in relation to the costs capitalised.

(d) Revenue recognised in relation to contract liabilities

	31 December 2017 RMB'000	1 January 2017 RMB'000
Contract liabilities	346,747,257	169,882,038

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2017 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	101,201,364

Notes to the Consolidated Financial Statements

3 Change in accounting policies (Continued)

(e) Unsatisfied contracts related to sales and constructions of properties

	RMB'000
Expected to be recognised within one year	249,554,421
Expected to be recognised after one year	239,767,973
Total transaction price allocated to the unsatisfied contracts as of 31 December 2017	489,322,394

- (f) For property management services contracts, the Group recognises revenue equal to the right to invoice amount when it corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term.

4 Financial risk management

The Group conducts its operations mainly in the PRC and is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk, cash flow and fair value 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. The Group uses derivative financial instruments to hedge certain risk exposures. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and borrowings to fund its operations. The Group has alternative plans (refer to note 4(a)(iv)) to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Financial risk factors

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are bank deposits and borrowings denominated in Hong Kong Dollar ("HKD"), United States Dollar ("USD") and Ringgit Malaysia ("RM"). The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group applies various types of derivative financial instruments (foreign currency forward contracts, foreign currency option contracts, cross currency swaps and foreign exchange structured derivatives) to mitigate exposures arising from the fluctuations in foreign currencies of debts.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The Group seeks to apply, wherever possible, hedge accounting to present its financial statements in accordance with the economic purpose of the hedging activity. The Group determines the economic relationship between the hedged items and the hedging instruments by reviewing their critical terms and performing a quantitative assessment as needed. As a result, the Group concludes that the risk being hedged for the hedged items and the risk inherent in the hedging instruments are sufficiently aligned. The main sources of hedge ineffectiveness are considered to be the effects of mismatch in timing and currency pair. In most of the cases, the hedging instruments have a one-to-one hedge ratio with the hedged items. In view of the nature of the hedging activities, no significant ineffectiveness is expected at inception.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of statement of financial position are as follows:

	2017 RMB'000	2016 RMB'000
Assets		
HKD	2,234,657	752,616
USD	2,252,567	2,726,002
RM	3,685,295	4,608,172
Other currencies	1,305,773	386,193
	9,478,292	8,472,983
Liabilities		
HKD	9,969,999	3,932,713
USD	50,219,360	37,456,159
RM	1,465,106	9,419,855
Other currencies	1,903,170	819,170
	63,557,635	51,627,897

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. Should RMB strengthened/weakened by 5% against the relevant currencies, the effects on the comprehensive income for the year without taking into account the hedging affects would be as follows:

	Change of comprehensive income – increase/(decrease)	
	2017 RMB'000	2016 RMB'000
RMB against HKD:		
Strengthened by 5%	386,767	159,005
Weakened by 5%	(386,767)	(159,005)
RMB against USD:		
Strengthened by 5%	2,398,340	1,736,508
Weakened by 5%	(2,398,340)	(1,736,508)
RMB against RM:		
Strengthened by 5%	(111,009)	182,844
Weakened by 5%	111,009	(182,844)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from interest-bearing bank deposits, senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings. Bank deposits, bank and other borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Senior notes, receipts under securitisation arrangements and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2017, borrowings of the Group which were bearing at floating rates amounted to approximately RMB116,019,602,000 (2016: RMB56,250,162,000). As at 31 December 2017, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately RMB580,098,000 (2016: RMB281,251,000).

(iii) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits with banks.

The carrying amounts of trade and other receivables, contract assets, restricted cash, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables and contract assets to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

For properties that are still under construction, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for an amount up to 80% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless the selling price would drop by no less than 20%, which is remote, the Group would not be in a loss position in selling those properties out. In this regard, the directors of the Company consider that the Group's credit risk is largely mitigated.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 38. No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these counterparties.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

i. Loans to related and third parties

The Group uses four categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings. The ratings for the related and third parties are B as compared with the market ratings of similar companies by certain credit rating agencies.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Loans to related and third parties (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

As at 31 December 2017 and 31 Decemeber 2016, the internal credit rating of loans to related and third parties were performing. The Group required certain third parties to provide guarantees or pledge collaterals as security against the loans.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

i. Loans to related and third parties (Continued)

Over the terms of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of loan, and adjusts for forward looking macroeconomic data. As at 31 December 2017, the Group provided for credit losses against loans to related and third parties as follows:

Company internal credit rating	External credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	B	1-12%	12 months expected losses	Gross carrying amount

No significant change to estimation techniques or assumptions was made during the reporting period.

As at 31 December 2017, the gross carrying amount of loans to related and third parties was RMB3,446,769,000 (2016: RMB2,046,832,000) and after deducting impairment provision, the maximum exposure to loss was RMB3,410,596,000 (2016: RMB2,024,659,000). The Group made no write-off of loans to related and third parties during the year (2016: nil).

ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets and all trade and other receivables (excluding prepayments and loans to related and third parties).

Expected loss rate of current contract assets is assessed to be 0.1%. As at 31 December 2017, the loss allowance provision for contract assets was not material.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2017, the loss allowance provision was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	26,589,739	1,330,949	1,132,703	29,053,391
Loss allowance provision (RMB'000)	26,590	26,619	56,635	109,844

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	125,177,654	6,110,399	2,217,737	536,230	1,153,000	135,195,020
Loss allowance provision (RMB'000)	125,178	61,104	221,774	80,435	230,600	719,091

As at 31 December 2016, the loss allowance provision was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Current	More than 90 days past due	More than 180 days past due	Total
Expected loss rate	0.1%	2.0%	5.0%	
Gross carrying amount (RMB'000)	12,519,539	580,738	628,407	13,728,684
Loss allowance provision (RMB'000)	12,520	11,615	31,420	55,555

Other receivables (excluding prepayments and loans to related and third parties)	Current	More than 180 days past due	More than 1 year past due	More than 2 years past due	More than 3 years past due	Total
Expected loss rate	0.1%	1.0%	10.0%	15.0%	20.0%	
Gross carrying amount (RMB'000)	79,444,706	3,836,670	714,974	593,472	847,778	85,437,600
Loss allowance provision (RMB'000)	79,445	38,367	71,497	89,021	169,556	447,886

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

- ii. Trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets (Continued)

As at 31 December 2017, the loss allowance provision for trade and other receivables (excluding prepayments and loans to related and third parties) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables (excluding prepayments and loans to related and third parties) RMB'000	Total RMB'000
Opening loss allowance as at 1 January 2016	34,859	309,267	344,126
Provision for loss allowance recognised in profit or loss during the year	20,696	138,619	159,315
Closing loss allowance as at 31 December 2016	55,555	447,886	503,441
Provision for loss allowance recognised in profit or loss during the year	54,289	271,205	325,494
Closing loss allowance as at 31 December 2017	109,844	719,091	828,935

As at 31 December 2017, the gross carrying amount of trade and other receivables (excluding prepayments and loans to related and third parties) was RMB164,248,411,000 (2016: RMB99,166,284,000) and thus the maximum exposure to loss was RMB163,419,476,000 (2016: RMB98,662,843,000). The Group made no write-off of trade and other receivables (excluding prepayments and loans to related and third parties) and contract assets during the year (2016:nil).

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

Management aims to maintain sufficient cash to meet funding requirement for operations and monitors rolling forecasts of the Group's cash on the basis of expected cash flow. The directors of the Company have prepared cash flow projections for the year ending 31 December 2018. Key assumptions used in the preparation of the cash flow projections for the year ending 31 December 2018 include: (1) proceeds from pre-sales in 2018 is expected to be higher than that of 2017; (2) construction payments match receipt of the relevant proceeds from pre-sales; (3) available project loan facility is expected to be no less than that of 2017; and (4) no breach of debt covenants is anticipated in 2018, as the management will closely monitor the compliance status of the covenants for all borrowings.

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 reducing the amount of acquisition of land, adjusting and further slowing down the construction progress as appropriate to ensure available resources for the development of properties for sale, implementing cost control measures and accelerating sales with more flexible pricing. The Group, will base on its assessment of the relevant future costs and benefits, pursue such options as are appropriate. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest, if applicable.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2017					
Senior notes	5,550,034	3,616,345	20,016,714	13,095,322	42,278,415
Bank and other borrowings	54,005,014	40,926,664	52,181,336	772,973	147,885,987
Corporate bonds	18,656,750	18,857,795	14,773,290	–	52,287,835
Receipts under securitisation arrangements	1,880,378	–	–	–	1,880,378
Trade and other payables (excluding other taxes payable and salaries payable)	298,558,168	–	–	–	298,558,168
Derivative financial instruments	212,013	54,510	301,366	–	567,889
Total	378,862,357	63,455,314	87,272,706	13,868,295	543,458,672

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Senior notes	2,016,933	2,016,933	21,079,158	13,836,280	38,949,304
Bank and other borrowings	33,756,108	19,868,415	19,169,155	2,590,197	75,383,875
Corporate bonds	9,923,618	16,858,955	12,288,185	2,078,000	41,148,758
Receipts under securitisation arrangements	7,230,392	–	–	–	7,230,392
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	–	–	137,894,311
Derivative financial instruments	41,762	–	–	–	41,762
Total	190,863,124	38,744,303	52,536,498	18,504,477	300,648,402

(b) 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 shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with other companies 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 senior notes, corporate bonds and bank and other borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents and the guarantee deposits for construction of pre-sale properties.

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(b) Capital management (Continued)

The gearing ratio as at 31 December 2017 and 2016 were as follows:

	2017 RMB'000	2016 RMB'000
Total borrowings (notes 23, 24 and 25)	214,765,027	136,196,876
Less: cash and cash equivalents (note 18)	(137,083,948)	(84,646,899)
guarantee deposits for construction of pre-sale properties (note 17)	(11,318,174)	(11,843,988)
Net debt	66,362,905	39,705,989
Total equity	116,611,929	81,615,170
Gearing ratio	57%	49%

The directors of the Company consider the Group's gearing ratio is within the healthy range.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by level of the inputs to valuation techniques used to measure fair value. The different levels are 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).

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Assets				
Financial assets at FVOCI	–	–	1,517,013	1,517,013
Derivative financial instruments	–	159,870	–	159,870
Financial assets at FVTPL	308,299	24,522,136	–	24,830,435
Total	308,299	24,682,006	1,517,013	26,507,318
Liabilities				
Derivative financial instruments	–	567,889	–	567,889
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Assets				
Financial assets at FVOCI	–	–	870,734	870,734
Derivative financial instruments	–	1,221,532	–	1,221,532
Financial assets at FVTPL	1,188,096	6,133,140	–	7,321,236
Total	1,188,096	7,354,672	870,734	9,413,502
Liabilities				
Derivative financial instruments	–	41,762	–	41,762

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

(i) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise foreign exchange forward contracts, foreign currency option contracts, foreign exchange structured derivatives and cross currency swaps. The fair value of these derivative financial instruments was determined using forward exchange rates and interest rates that are quoted in active market.

(ii) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2017 and 31 December 2016:

	2017 RMB'000	2016 RMB'000
Opening balance	870,734	1,403,094
Additions	707,283	601,962
Fair value changes	(61,004)	53,774
Transfer to Level 1	-	(1,188,096)
Closing balance	1,517,013	870,734
Dividend income recognised in 'other income and gains — net'	9,203	7,380

4 Financial risk management (Continued)

(d) Financial instruments by category

	2017			
	Assets at fair value through other comprehensive income RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	1,517,013	–	–	1,517,013
Trade and other receivables excluding prepayments	–	–	166,830,072	166,830,072
Contract assets	–	–	15,737,782	15,737,782
Restricted cash	–	–	11,318,174	11,318,174
Cash and cash equivalents	–	–	137,083,948	137,083,948
Derivative financial instruments	–	159,870	–	159,870
Financial assets at FVTPL	–	24,830,435	–	24,830,435
Total	1,517,013	24,990,305	330,969,976	357,477,294
	2016			
	Assets at fair value through other comprehensive income RMB'000	Assets at fair value through profit or loss RMB'000	Assets at amortised cost RMB'000	Total RMB'000
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	870,734	–	–	870,734
Trade and other receivables excluding prepayments	–	–	100,687,502	100,687,502
Restricted cash	–	–	11,843,988	11,843,988
Cash and cash equivalents	–	–	84,646,899	84,646,899
Derivative financial instruments	–	1,221,532	–	1,221,532
Financial assets at FVTPL	–	7,321,236	–	7,321,236
Total	870,734	8,542,768	197,178,389	206,591,891

Notes to the Consolidated Financial Statements

4 Financial risk management (Continued)

(d) Financial instruments by category (Continued)

	2017		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	31,913,579	–	31,913,579
Bank and other borrowings	135,516,769	–	135,516,769
Corporate bonds	47,334,679	–	47,334,679
Trade and other payables (excluding other taxes payable and salaries payable)	298,558,168	–	298,558,168
Receipts under securitisation arrangements	1,805,104	–	1,805,104
Derivative financial instruments	–	567,889	567,889
Total	515,128,299	567,889	515,696,188
	2016		
	Liabilities at amortised cost RMB'000	Liabilities at fair value through profit or loss RMB'000	Total RMB'000
Liabilities as per consolidated statement of financial position			
Senior notes	29,264,448	–	29,264,448
Bank and other borrowings	69,222,804	–	69,222,804
Corporate bonds	37,709,624	–	37,709,624
Trade and other payables (excluding other taxes payable and salaries payable)	137,894,311	–	137,894,311
Receipts under securitisation arrangements	7,043,440	–	7,043,440
Derivative financial instruments	–	41,762	41,762
Total	281,134,627	41,762	281,176,389

5 Critical accounting estimates and judgments

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. The Group may not change or substitute the property unit or redirect the property unit for another use due to the contractual restrictions with the customer and thus the property unit does not have an alternative use to the Group. However, whether there is an enforceable right to payment depends on the terms of sales contract and the interpretation of the applicable laws that apply to the contract. Such determination requires significant judgments. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales contracts. Management uses judgments, based on legal counsel opinion, to classify sales contracts into those with right to payment and those without the right.

The Group recognises property development revenue over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date. The progress is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each property unit in the contract. The Group calculated the cost allocation based on type of properties, gross and saleable floor areas. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. As part of this process, management reviews information including but not limited to, the cost to achieve the schedule. Changes in cost estimates in future periods can have effect on the Group's revenue recognised. In making the above estimations, the Group relies on past experience and work of contractors and, if appropriate, surveyors.

Notes to the Consolidated Financial Statements

5 Critical accounting estimates and judgments *(Continued)*

(b) Estimates for net realisable value of properties under development and completed properties held for sale

The total of properties under development and completed properties held for sale amounted to approximately RMB459,762,485,000 (2016: RMB268,725,626,000) and RMB27,886,487,000 (2016: RMB30,885,254,000) respectively as at 31 December 2017, which in total accounted for approximately 46% (2016: 51%) of the Group's total assets. The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion. Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2017.

(c) Income taxes and deferred taxation

Significant judgments are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate 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 difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

6 Revenue and segment information

The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The executive directors have determined the operating segments based on these reports.

The executive directors assess the performance of the Group organised into five business segments as follows:

- Property development;
- Construction;
- Property investment;
- Property management; and
- Hotel operation.

6 Revenue and segment information (Continued)

The executive directors assess the performance of the operating segments based on a measure of operating profit adjusted by excluding fair value changes on derivative financial instruments and including share of results of joint ventures and associates.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment properties, properties under development, investments in joint ventures, investments in associates, completed properties held for sale, inventories, receivables, prepaid taxes, contract assets and operating cash. They exclude deferred income tax assets, financial assets at FVOCI, financial assets at FVTPL and derivative financial instruments. Segment liabilities consist primarily of operating liabilities. They exclude senior notes, corporate bonds, receipts under securitisation arrangements, bank and other borrowings, current and deferred income tax liabilities and derivative financial instruments.

Capital expenditure comprises additions to property, plant and equipment (note 7), investment properties (note 8), intangible assets (note 9) and land use rights (note 10) excluding those arising from business combination.

Revenue consists of the following:

	2017 RMB'000	2016 RMB'000
Sales and construction of properties under property development activities	220,157,369	148,180,135
Rendering of other construction services	2,304,661	1,143,012
Rental income	107,605	97,136
Rendering of property management services	2,656,343	1,959,060
Rendering of hotel services	1,673,808	1,707,634
	226,899,786	153,086,977

Sales between segments are carried out according to the terms and condition agreed by the respective segments' management.

The Group's revenue is mainly attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

Notes to the Consolidated Financial Statements

6 Revenue and segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2017 is as follows:

	Property development RMB'000	Construction RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Revenue from contracts with customers	220,157,369	22,089,367	-	3,121,852	1,814,135	247,182,723
Recognised at a point in time	159,350,465	-	-	-	-	159,350,465
Recognised over time	60,806,904	22,089,367	-	3,121,852	1,814,135	87,832,258
Revenue from other sources: rental income	-	-	107,605	-	-	107,605
Segment revenue	220,157,369	22,089,367	107,605	3,121,852	1,814,135	247,290,328
Inter-segment revenue	-	(19,784,706)	-	(465,509)	(140,327)	(20,390,542)
Revenue from external customers	220,157,369	2,304,661	107,605	2,656,343	1,673,808	226,899,786
Share of results of joint ventures and associates	(344,375)	-	-	(7,929)	-	(352,304)
Gains arising from changes in fair value of and transfer to investment properties	-	-	504,718	-	-	504,718
Depreciation and amortization expenses of property, plant and equipment, intangible assets and land use rights	152,379	29,724	-	19,056	623,343	824,502
Amortisation of incremental costs for obtaining contracts with customers	573,462	-	-	-	-	573,462
Segment results	42,308,300	74,067	586,881	486,548	190,871	43,646,667
At 31 December 2017						
Total segment assets after elimination of inter-segment balances	970,470,168	16,950,402	8,368,993	3,225,935	11,948,760	1,010,964,258
Investments in joint ventures and associates	30,912,124	-	-	18,260	-	30,930,384
Capital expenditure	1,819,193	25,606	54,987	60,574	1,458,741	3,419,101
Total segment liabilities after elimination of inter-segment balances	659,723,642	14,987,134	34,256	1,856,234	1,263,264	677,864,530

6 Revenue and segment information (Continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 is as follows:

	Property development RMB'000	Construction RMB'000	Property investment RMB'000	Property management RMB'000	Hotel operation RMB'000	Total Group RMB'000
Segment revenue	148,180,135	20,068,771	97,136	2,358,449	1,794,463	172,498,954
Inter-segment revenue	–	(18,925,759)	–	(399,389)	(86,829)	(19,411,977)
Revenue from external customers	148,180,135	1,143,012	97,136	1,959,060	1,707,634	153,086,977
Share of results of joint ventures and associates	368,604	–	–	(6,900)	–	361,704
Gains arising from changes in fair value of and transfer to investment properties	–	–	711,604	–	–	711,604
Depreciation and amortisation expenses	239,395	24,426	–	14,199	499,236	777,256
Segment results	21,086,754	207,356	717,628	405,531	(81,219)	22,336,050

At 31 December 2016

Total segment assets after elimination of inter-segment balances	538,238,604	10,581,790	9,784,491	2,236,630	13,494,271	574,335,786
Investments in joint ventures and associates	11,164,813	–	–	19,689	–	11,184,502
Capital expenditure	1,389,217	18,823	107,035	23,089	1,033,103	2,571,267
Total segment liabilities after elimination of inter-segment balances	335,241,443	6,838,329	12,768	1,378,201	964,896	344,435,637

Reportable segment results are reconciled to net profit as follows:

	2017 RMB'000	2016 RMB'000
Total segment results	43,646,667	22,336,050
Changes in fair value of derivative financial instruments	(400,784)	149,827
Finance income/(costs) – net	3,276,086	(1,095,305)
Profit before income tax	46,521,969	21,390,572
Income tax expenses	(17,770,164)	(7,727,349)
Profit for the year	28,751,805	13,663,223

Notes to the Consolidated Financial Statements

6 Revenue and segment information (Continued)

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities as follows:

	2017 RMB'000	2016 RMB'000
Total segment assets after elimination of inter-segment balances	1,010,964,258	574,335,786
Deferred income tax assets	12,197,682	7,822,313
Financial assets at FVOCI	1,517,013	870,734
Financial assets at FVTPL	24,830,435	7,321,236
Derivative financial instruments	159,870	1,221,532
Total assets	1,049,669,258	591,571,601
Total segment liabilities after elimination of inter-segment balances	677,864,530	344,435,637
Deferred income tax liabilities	16,447,649	6,928,304
Current income tax liabilities	21,607,130	15,310,412
Senior notes	31,913,579	29,264,448
Bank and other borrowings	135,516,769	69,222,804
Corporate bonds	47,334,679	37,709,624
Receipts under securitisation arrangements	1,805,104	7,043,440
Derivative financial instruments	567,889	41,762
Total liabilities	933,057,329	509,956,431

7 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2016						
Cost	14,443,981	597,629	1,420,246	1,447,420	5,478,496	23,387,772
Accumulated depreciation	(1,472,356)	(283,223)	(734,144)	(878,208)	–	(3,367,931)
Net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
Year ended						
31 December 2016						
Opening net book amount	12,971,625	314,406	686,102	569,212	5,478,496	20,019,841
Acquisition of subsidiaries	–	–	–	77,028	–	77,028
Other additions	857,765	60,768	194,765	120,332	666,262	1,899,892
Transfer	426,126	–	–	–	(426,126)	–
Disposal of subsidiaries	–	–	–	(406)	–	(406)
Other disposals	(73,036)	(12,692)	(71,558)	(41,552)	(14,805)	(213,643)
Depreciation	(399,012)	(72,186)	(177,337)	(272,425)	–	(920,960)
Exchange differences	5,292	318	1,708	7,959	–	15,277
Closing net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029
At 31 December 2016						
Cost	15,644,444	639,888	1,499,320	1,616,455	5,703,827	25,103,934
Accumulated depreciation	(1,855,684)	(349,274)	(865,640)	(1,156,307)	–	(4,226,905)
Net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029

Notes to the Consolidated Financial Statements

7 Property, plant and equipment (Continued)

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Furniture, fitting and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening net book amount	13,788,760	290,614	633,680	460,148	5,703,827	20,877,029
Acquisition of subsidiaries (note 42)	195,714	-	-	257,814	-	453,528
Other additions	464,133	543,935	163,044	334,142	1,638,527	3,143,781
Transfer	1,484,122	-	-	-	(1,484,122)	-
Disposal of subsidiaries	(1,432,698)	(37,376)	(1,597)	(22,952)	-	(1,494,623)
Other disposals	(94,418)	(25,777)	(46,045)	(170,086)	-	(336,326)
Depreciation	(444,606)	(102,937)	(182,139)	(336,855)	-	(1,066,537)
Exchange differences	34,714	4,811	4,466	7,238	-	51,229
Closing net book amount	13,995,721	673,270	571,409	529,449	5,858,232	21,628,081
At 31 December 2017						
Cost	15,948,380	1,048,869	1,575,213	1,823,910	5,858,232	26,254,604
Accumulated depreciation	(1,952,659)	(375,599)	(1,003,804)	(1,294,461)	-	(4,626,523)
Net book amount	13,995,721	673,270	571,409	529,449	5,858,232	21,628,081

Depreciation charge was capitalised or expensed in the following categories in the consolidated statement of financial position or the consolidated statement of comprehensive income:

	2017 RMB'000	2016 RMB'000
Properties under development	341,710	223,498
Cost of sales	269,489	404,238
Selling and marketing costs	81,189	77,778
Administrative expenses	374,149	215,446
	1,066,537	920,960

7 Property, plant and equipment (Continued)

As at 31 December 2017, buildings with net book value of RMB1,822,280,000 (2016: RMB2,719,569,000) were pledged as collateral for the Group's borrowings.

As at 31 December 2017, title certificates of buildings with net book value of RMB1,905,043,000 (2016: RMB4,936,919,000) were still in the process of being obtained.

8 Investment properties

	2017 RMB'000	2016 RMB'000
Year ended 31 December		
Opening net book amount	9,773,430	8,686,295
Transfer from properties under development and completed properties held for sale	524,829	1,259,166
Other additions	54,987	107,035
Revaluation gains upon transfer from properties under development and completed properties held for sale	364,431	801,623
Fair value changes	140,287	(90,019)
Transfer to properties under development	(1,085,900)	(990,670)
Disposal of subsidiaries	(1,433,950)	–
Closing net book amount	8,338,114	9,773,430
Gains arising from changes in fair value of and transfer to investment properties represent:		
– revaluation gains upon transfer of properties under development and completed properties held for sale	364,431	801,623
– fair value changes	140,287	(90,019)
	504,718	711,604



Notes to the Consolidated Financial Statements

8 Investment properties (Continued)

The Group's policy is to recognise change of fair value hierarchy levels as of the date of the event or change in circumstances that caused the change. At 31 December 2017 and 2016, the Group had only level 3 investment properties.

Valuation processes of the Group

The Group's investment properties were valued at transfer dates, and at 31 December 2017 and 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and professionally qualified valuer who holds recognised relevant professional qualifications and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates the highest and best use.

Discussions of valuation processes and results are held between management and the valuers on a semi-annual basis, in line with the Group's interim and annual reporting dates.

At each half year-end, management:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Valuation techniques

Valuations are based on:

- (i) Direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as locations and property size; and/or
- (ii) Income capitalisation approach taking into account the current rents of the property interests and the reversionary potentials of the tenancies, term yield and reversionary yield are then applied respectively to derive the market value of the property; or

8 Investment properties (Continued)

Valuation techniques (Continued)

- (iii) Residual method of valuation which is commonly used in valuing development sites by establishing the market value of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees, contingency, marketing and legal cost, and interest payments to be incurred, anticipated developer’s profits, as well as land acquisition costs, interest payment and profit on land.

There were no changes to the valuation techniques during the year.

Information about fair value measurements using significant unobservable inputs (level 3)

	Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	7,042,147,000	Income capitalisation	The rate of return/ capitalisation rate Monthly rental (RMB/ square meter/month)	3%–5.5% per annum 20–265
		Direct comparison	Adjusted market price (RMB/square meter)	3,500–37,500
Investment properties under construction	1,295,967,000	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	70–5,950
			Remaining percentage to completion	1%–90%
			Anticipated developer’s profit margin	13%–25%

Notes to the Consolidated Financial Statements

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	8,277,011,000	Income capitalisation	The rate of return/capitalisation rate	3%-5.5% per annum
			Monthly rental (RMB/square meter/month)	10-155
		Direct comparison	Adjusted market price (RMB/square meter)	3,500-38,800
Investment properties under construction	1,496,419,000	Residual method	Budgeted construction costs to be incurred (RMB/square meter)	160-640
			Remaining percentage to completion	5%-15%
			Anticipated developer's profit margin	12%-15%

Relationships of unobservable inputs to fair value are as follows

- The higher rate of return/capitalisation rate, the lower fair value;
- The higher expected vacancy rate, the lower fair value;
- The higher monthly rental, the higher fair value;
- The higher market price, the higher fair value;

8 Investment properties (Continued)

Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (level 3) (Continued)

- The higher budgeted construction cost to be incurred, the lower fair value;
- The higher remaining percentage to completion, the lower fair value;
- The higher the anticipated developer's profit margin, the lower fair value.

Amounts recognised in profit or loss for investment properties

	2017 RMB'000	2016 RMB'000
Rental income	107,605	97,136
Direct operating expenses	(25,442)	(15,096)
	82,163	82,040

As at 31 December 2017, investment properties with fair value of RMB419,310,000 (2016: RMB344,557,000) were pledged as collateral for the Group's borrowings.

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9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
At 1 January 2016			
Cost	87,740	90,274	178,014
Accumulated amortisation	(56,475)	–	(56,475)
Net book amount	31,265	90,274	121,539
Year ended 31 December 2016			
Opening net book amount	31,265	90,274	121,539
Acquisition of subsidiaries	–	127,127	127,127
Other additions	19,321	–	19,321
Amortisation	(19,063)	–	(19,063)
Disposal of subsidiaries	–	(9,557)	(9,557)
Closing net book amount	31,523	207,844	239,367
At 31 December 2016			
Cost	107,061	207,844	314,905
Accumulated amortisation	(75,538)	–	(75,538)
Net book amount	31,523	207,844	239,367
Year ended 31 December 2017			
Opening net book amount	31,523	207,844	239,367
Acquisition of subsidiaries (note 42)	–	65,162	65,162
Other additions	112,582	–	112,582
Amortisation	(25,598)	–	(25,598)
Closing net book amount	118,507	273,006	391,513
At 31 December 2017			
Cost	219,643	273,006	492,649
Accumulated amortisation	(101,136)	–	(101,136)
Net book amount	118,507	273,006	391,513

Amortisation expense has been charged in administrative expenses.

10 Land use rights

	2017 RMB'000	2016 RMB'000
Opening net book amount	2,536,458	2,052,170
Additions	107,751	545,019
Disposal of subsidiaries	(144,634)	–
Amortisation	(74,077)	(60,731)
Closing net book amount	2,425,498	2,536,458

These land use rights are held for self-use. Amortisation expense has been charged in administrative expenses.

The land use rights located in Mainland China, amounting to RMB1,824,443,000 (2016: RMB1,942,749,000) are held on leases of between 10 to 50 years. The land use rights located in Malaysia, amounting to RMB601,055,000 (2016: RMB593,709,000) are freehold.

As at 31 December 2017, land use rights with net book value of RMB1,587,703,000 (2016: RMB1,477,504,000) were pledged as collateral for the Group's borrowings.

11 Properties under development

	2017 RMB'000	2016 RMB'000
Properties under development expected to be completed and delivered:		
– Within a normal operating cycle included under current assets	360,921,992	216,383,252
– Beyond a normal operating cycle included under non-current assets	98,840,493	52,342,374
	459,762,485	268,725,626
Amounts comprise:		
– Construction costs including depreciation and staff cost capitalised	200,404,610	165,107,836
– Land use rights	249,325,133	95,484,336
– Borrowing costs capitalised	10,032,742	8,133,454
	459,762,485	268,725,626

The normal operating circle of the Group's property development generally ranges from one to two years.

RMB101,936,417,000 of costs to fulfill contracts carried forward from prior year was recognised in the current reporting period.

At 31 December 2017, properties under development included the costs to fulfil contracts amounting to RMB270,352,562,000.

At 31 December 2017, properties under development amounting to RMB226,910,702,000 (2016: RMB160,526,815,000) were expected to be completed and delivered beyond one year.

Notes to the Consolidated Financial Statements

11 Properties under development (Continued)

The capitalisation rate used to capitalise interest on general borrowings in 2017 was 5.89% per annum (2016: 6.31% per annum).

The properties under development of the Group are located as follows:

	2017 RMB'000	2016 RMB'000
Mainland China	441,531,949	257,445,191
Malaysia	12,200,276	9,791,706
Australia	1,826,802	959,634
Others	4,203,458	529,095
	459,762,485	268,725,626

As at 31 December 2017, land use rights included in properties under development with net book value of RMB31,186,355,000 (2016: RMB19,953,767,000) were pledged as collateral for the Group's borrowings.

12(a) Subsidiaries

The principal subsidiaries at 31 December 2017 are listed in note 46.

The directors of the Company consider that none of the non-controlling interests of the individual subsidiaries were significant to the Group and thus the individual financial information of these subsidiaries are not disclosed.

12(b) Investments in joint ventures

	2017 RMB'000	2016 RMB'000
At 1 January	7,311,153	803,934
Transfer from subsidiaries	728,182	37,813
Other additions	12,988,670	7,617,860
Transfer to subsidiaries	(1,252,110)	(1,581,010)
Disposals	(5,015)	–
Share of results	(425,367)	432,556
— Gains arising from negative goodwill	304,510	731,300
— Others	(729,877)	(298,744)
At 31 December	19,345,513	7,311,153

12(b) Investments in joint ventures (Continued)

The balance comprises the following:

	2017 RMB'000	2016 RMB'000
Unlisted investments		
— Share of net assets	19,131,085	7,210,393
— Goodwill	214,428	100,760
	19,345,513	7,311,153

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with certain third parties. None of these acquisitions was individually significant to the Group. Summary of the acquisitions during the year is as follows:

Total identifiable net assets	With negative goodwill RMB'000	With goodwill RMB'000	Total RMB'000
Identifiable assets and liabilities assumed			
Assets	31,788,835	7,568,638	39,357,473
Liabilities	(20,201,955)	(2,928,559)	(23,130,514)
Total identifiable net assets	11,586,880	4,640,079	16,226,959

**Reconciliation to the Group's interests
in the joint ventures**

Fair values of the consideration for the acquisitions	4,845,222	2,492,832	
Fair values of the Group's share of identifiable net assets	(5,149,732)	(2,320,644)	
(Negative goodwill)/goodwill	(304,510)	172,188	

The negative goodwill was mainly resulted from the fact that the joint ventures partners intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

Notes to the Consolidated Financial Statements

12(b) Investments in joint ventures (Continued)

The goodwill arose from the acquisitions of certain properties development companies, which is mainly attributable to economies of scale expected from the acquisitions.

As at 31 December 2017, certain borrowings of joint ventures were guaranteed by the Group (note 38) and/or secured by the Group's certain interests in joint ventures with an aggregate carrying value of RMB2,070,980,000 (2016: RMB65,893,000). As at 31 December 2017, there were no significant commitments relating to the Group's interests in the joint ventures.

The directors of the Company consider that none of the joint ventures as at 31 December 2017 and 31 December 2016 was significant to the Group and thus the individual financial information of the joint ventures was not disclosed. The summarised financial information of individually immaterial joint ventures on an aggregate basis is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount in the consolidated financial statements	19,345,513	7,311,153
Share of (losses)/profits for the year	(425,367)	432,556
Share of total comprehensive (loss)/income	(425,367)	432,556

12(c) Investments in associates

	2017 RMB'000	2016 RMB'000
At 1 January	3,873,349	884,492
Transfer from subsidiaries	491,475	21,331
Other additions	7,993,531	3,435,629
Transfer to subsidiaries	(846,547)	(397,251)
Share of results	73,063	(70,852)
— Gains arising from negative goodwill	331,361	76,776
— Others	(258,298)	(147,628)
At 31 December	11,584,871	3,873,349

12(c) Investments in associates *(Continued)*

Additions during the year mainly included the acquisitions of shares in a number of property development companies and the investments in a number of newly established property development companies together with third parties. None of the acquisition was individually significant to the Group. Summary of the acquisitions during the year are as follows:

Total identifiable net assets

	RMB'000
Identifiable assets and liabilities assumed	
Assets	51,277,086
Liabilities	(31,319,476)
Total identifiable net assets	19,957,610

Reconciliation to the Group's interests in associates

Fair values of the Group's share of identifiable net assets	5,889,116
Fair values of the consideration for the acquisition	(5,557,755)
Negative goodwill	331,361

The negative goodwill was mainly resulted from the fact that other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

As at 31 December 2017, certain borrowings of associates were guaranteed by the Group (note 38) and/or secured by the Group's certain interests in associates with an aggregate carrying value of RMB721,922,000 (2016: RMB55,000,000).

Notes to the Consolidated Financial Statements

12(c) Investments in associates (Continued)

The directors of the Company consider that none of the associates as at 31 December 2017 and 31 December 2016 was significant to the Group and thus the individual financial information of the associates was not disclosed. The summarised financial information of individually immaterial associates on an aggregate basis is as follows:

	2017 RMB'000	2016 RMB'000
Carrying amount in the consolidated financial statements	11,584,871	3,873,349
Share of profits/(losses) for the year	73,063	(70,852)
Share of total comprehensive income/(losses)	73,063	(70,852)

13 Financial assets at fair value through other comprehensive income

	2017 RMB'000	2016 RMB'000
Unlisted equity investments at fair value:		
At 1 January	870,734	214,998
Additions	707,283	601,962
Fair value changes	(61,004)	53,774
At 31 December	1,517,013	870,734

The investments mainly represent equity investments in various investment fund companies, investment holding companies and venture capital fund companies, each of which the Group holds less than 20% equity interest in. The fair values of these investments were determined mainly based on direct comparison approach by making reference to recent transaction prices of similar deals, the fair value measurement is categorised within level 3 of the fair value hierarchy.

14 Completed properties held for sale

	2017 RMB'000	2016 RMB'000
Completed properties held for sale	27,886,487	30,885,254

The completed properties held for sale are mainly located in Mainland China.

15 Inventories

	2017 RMB'000	2016 RMB'000
Construction materials and spare parts	4,251,331	2,203,727

16 Trade and other receivables

	2017 RMB'000	2016 RMB'000
Included in current assets		
– Trade receivables — net (note (a))	28,943,547	13,673,129
– Other receivables — net (note (b))	134,475,929	84,989,714
– Loans to related and third parties — net (note (c))	2,685,096	1,969,159
– Prepayments for land (note (d))	97,034,879	6,820,629
– Other prepayments (note (e))	7,401,877	9,869,116
	270,541,328	117,321,747
Included in non-current assets		
– Loans to third parties (note (c))	725,500	55,500
– Deposits for acquisitions of companies (note (f))	4,646,925	–
	5,372,425	55,500
	275,913,753	117,377,247

As at 31 December 2017, the fair values of trade and other receivables approximated their carrying amounts.

Notes to the Consolidated Financial Statements

16 Trade and other receivables (Continued)

(a) Details of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
Trade receivables	29,053,391	13,728,684
Less: allowance for impairment	(109,844)	(55,555)
Trade receivables — net	28,943,547	13,673,129

Trade receivables mainly arise from sales of properties. Property buyers are generally granted credit terms of 1 to 6 months. The ageing analysis of trade receivables based on revenue recognition date is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	25,922,962	12,003,625
Over 90 days and within 180 days	1,486,726	714,221
Over 180 days and within 365 days	797,508	490,522
Over 365 days	846,195	520,316
	29,053,391	13,728,684

At 31 December 2017 and 2016, trade receivables were mainly denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2017, a provision of RMB109,844,000 (2016: RMB55,555,000) was made against the gross amounts of trade receivables (note 4).

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. Trade receivables were collateralised by the titles of the properties sold.

16 Trade and other receivables (Continued)

(b) Details of other receivables are as follows:

	2017 RMB'000	2016 RMB'000
Amounts due from related parties except for contract work (note 43(c))	45,047,322	17,568,947
Land auction and other deposits	32,961,907	14,292,195
Amounts due from customers for contract work (note 3)	–	667,059
Others (i)	57,185,791	52,909,399
	135,195,020	85,437,600
Less: allowance for impairment	(719,091)	(447,886)
Other receivables — net	134,475,929	84,989,714

(i) These receivables mainly included current accounts due from the other shareholders of certain subsidiaries, joint ventures and associates of the Group for various payments on their behalf, which are interest-free, unsecured and repayable on demand.

(c) As at 31 December 2017, loans to related and third parties bear interest at rates ranging from 4.85% to 15% per annum, of which RMB776,122,000 (2016: RMB413,332,000) were secured by certain properties and land use rights of the third parties, and nil (2016: RMB75,000,000) were secured by certain other shareholders' interests in the joint ventures and associates of the Group.

	2017 RMB'000	2016 RMB'000
Included in current assets		
— Loans to related parties	53,780	–
— Loans to third parties	2,667,489	1,991,332
	2,721,269	1,991,332
Less: allowance for impairment	(36,173)	(22,173)
Loans to related and third parties — net	2,685,096	1,969,159
Included in non-current assets		
— Loans to third parties	725,500	55,500
	3,410,596	2,024,659

Notes to the Consolidated Financial Statements

16 Trade and other receivables (Continued)

- (d) Prepayments for land use rights are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 31 December 2017.
- (e) Other prepayments mainly represent prepayments for purchases of construction materials and services.
- (f) Amounts represent deposits paid for acquisitions of certain property development companies which have not been completed as at the year end.

17 Restricted cash

The amount represented guarantee deposits for construction of pre-sale properties denominated in RMB and RM placed in designated accounts.

In accordance with relevant government requirements, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds as guarantee deposits for the constructions of the related properties. The deposits can only be used for payments for construction costs of the relevant properties when approval from related government authority is obtained. Such guarantee deposits will be released after the completion of construction of the related properties.

18 Cash and cash equivalents

	2017 RMB'000	2016 RMB'000
Cash at bank and in hand	135,005,183	78,434,654
Short-term bank deposits	13,396,939	18,056,233
	148,402,122	96,490,887
Less: restricted cash (note 17)	(11,318,174)	(11,843,988)
	137,083,948	84,646,899

The short-term bank deposits are denominated in RMB and have terms ranging from 1 month to 3 months. The effective interest rate of these deposits as at 31 December 2017 was 3.42% per annum (2016: 2.54% per annum).

18 Cash and cash equivalents (Continued)

Cash and deposits are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
Denominated in RMB	138,923,830	90,541,406
Denominated in HKD	2,234,657	705,041
Denominated in USD	2,252,567	1,552,046
Denominated in RM	3,685,295	3,308,429
Denominated in other currencies	1,305,773	383,965
	148,402,122	96,490,887

The conversion of RMB and RM denominated balances into other currencies and the remittance of 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.

19 Financial assets at fair value through profit or loss

	2017 RMB'000	2016 RMB'000
PRC listed equity security (note (a))	308,299	1,188,096
Wealth management products (note (b))	24,522,136	6,133,140
	24,830,435	7,321,236

(a) This represented a 2.29% (31 December 2016: 9.16%) equity interest in Shenzhen Tiantu Investment Management Co., Ltd, which is mainly engaged in investment activities and is listed on the National Equities Exchange and Quotations in the PRC. The fair value of the investment at 31 December 2017 was calculated using the quoted market price.

(b) Wealth management products are mainly investments in financial products issued by commercial banks. The fair values of these investments approximated their carrying values as at 31 December 2017.

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20 Trade and other payables

	2017 RMB'000	2016 RMB'000
Trade payables (note (b))	165,314,939	76,074,204
Other payables (note (c))	132,663,682	61,422,617
Other taxes payable	24,711,688	8,211,358
Salaries payable	7,613,977	5,683,591
Accrued expenses	579,547	397,490
	330,883,833	151,789,260

(a) As at 31 December 2017, the carrying amounts of trade and other payables approximated their fair values.

(b) The ageing analysis of trade payables mainly based on the date of invoice is as follows:

	2017 RMB'000	2016 RMB'000
Within 90 days	138,681,821	63,517,129
Over 90 days and within 180 days	21,155,246	9,412,965
Over 180 days and within 365 days	3,608,704	1,876,190
Over 365 days	1,869,168	1,267,920
	165,314,939	76,074,204

(c) Other payables mainly included deposits from property purchasers and current accounts due to certain joint ventures, associates and other shareholders of certain subsidiaries, joint ventures and associates of the Group and outstanding considerations to acquire certain subsidiaries, joint ventures and associates. These amounts are interest-free, unsecured and repayable on demand.

21 Receipts under securitisation arrangements

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from sales of properties, less amounts repaid. These securities bear an effective interest rate of 4.5% to 6.0% per annum and have a revolving term of 3 to 6 months.

22 Derivative financial instruments

	2017		2016	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Qualified for hedge accounting				
— Foreign currency option contracts (note (a))	72,174	20,056	462,021	—
— Foreign exchange structured derivatives (note (b))	39,897	264,344	549,034	—
— Cross currency swaps (note (c))	—	34,281	45,462	—
Not qualified for hedge accounting				
— Foreign exchange forward contracts	47,799	249,208	165,015	41,762
	159,870	567,889	1,221,532	41,762
Analysed as:				
Current	47,265	212,013	187,145	41,762
Non-current	112,605	355,876	1,034,387	—
	159,870	567,889	1,221,532	41,762

The total notional principal amount of the derivative financial instruments at 31 December 2017 was RMB35,627,157,000 (31 December 2016: RMB27,806,596,000), of which RMB26,983,276,000 (31 December 2016: RMB23,520,977,000) was qualified for hedge accounting (cash flow hedge). These contracts will mature during the years from 2018 to 2022.

The effects of applying hedge accounting on the Group's financial position and performance are as follows:

	2017	2016
(a) Derivative financial instruments — foreign currency option contracts		
Carrying amount (RMB'000)	52,118	462,021
Notional amount (RMB'000)	11,260,831	14,199,172
Maturity date	8 March 2018– 31 March 2021	23 May 2017– 31 March 2021
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(769,603)	813,300
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	716,646	(769,900)
Strike rate (USD: RMB range)	6.4800–6.8200	6.4800–6.6800

Notes to the Consolidated Financial Statements

22 Derivative financial instruments (Continued)

	2017	2016
(b) Derivative financial instruments – foreign exchange structured derivatives (note (i))		
Carrying amount (RMB'000)	(224,447)	549,034
Notional amount (RMB'000)	14,799,391	8,898,090
Maturity date	17 December 2018– 25 July 2022	17 December 2018– 9 March 2020
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(897,137)	583,201
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	869,749	(524,702)
Strike rate (USD: RMB range)	6.4930–6.9370	6.4930–6.6600

(i): Foreign exchange structured derivatives are cross-currency swaps with options against exchange rate risk of interest and principal repayment.

	2017	2016
(c) Derivative financial instruments – Cross currency swaps		
Carrying amount (RMB'000)	(34,281)	45,462
Notional amount (RMB'000)	923,054	423,715
Maturity date	18 December 2018	18 December 2018
Hedge ratio*	1:1	1:1
Change in foreign exchange risk component of outstanding hedging instruments during the year (RMB'000)	(78,480)	25,784
Change in value of hedged item used to determine hedge effectiveness during the year (RMB'000)	70,661	(20,722)
Strike rate (HKD: RMB range)	0.8467–0.8945	0.85

	2017 RMB'000	2016 RMB'000
(d) Reserves		
Cash flow hedge reserve – opening balance	89,982	–
Change in fair value of hedging instrument recognised in other comprehensive income for the year (effective portion)	(1,745,220)	1,422,285
Reclassified to profit or loss (note 33)	1,641,414	(1,332,303)
Closing balance	(13,824)	89,982

22 Derivative financial instruments (Continued)

	2017 RMB'000	2016 RMB'000
(d) Reserves (Continued)		
Deferred costs of hedging reserve — deferred time value		
— opening balance	(295,901)	—
Gains of hedging deferred for the year	607,557	(365,768)
Reclassified to profit or loss (note 33)	143,003	69,867
Closing balance	454,659	(295,901)

* The foreign currency option contracts, foreign exchange structured derivatives and cross currency swap contracts are denominated in the same currency as the highly probable future debt payments (USD and HKD), therefore the hedge ratio is 1:1.

23 Senior notes

	2017 RMB'000	2016 RMB'000
As at 1 January	29,264,448	20,878,179
Additions	7,746,953	6,654,357
Early redemption (note a(iii))	(3,661,845)	—
Interest expenses (note 33)	2,222,000	1,731,150
Coupon interest paid	(2,000,592)	(1,590,989)
Exchange differences	(1,657,385)	1,591,751
Less: current portion included in current liabilities	31,913,579 (3,795,242)	29,264,448 —
Included in non-current liabilities	28,118,337	29,264,448

The Group's senior notes were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	3,795,242	—
Between 1 and 2 years	1,632,827	—
Between 2 and 5 years	15,202,045	17,048,157
Over 5 years	11,283,465	12,216,291
	31,913,579	29,264,448

Notes to the Consolidated Financial Statements

23 Senior notes (Continued)

(a) The Group has issued the following senior notes:

- (i) On 10 January 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2023 Notes I”). The 2023 Notes I carry interest at the rate of 7.5% per annum, payable semi-annually on 10 January and 10 July in arrears, and will mature on 10 January 2023, unless redeemed earlier.
- (ii) On 4 October 2013, the Company issued senior notes in an aggregate principal amount of USD750,000,000 (the “2021 Notes”). The 2021 Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 4 October and 4 April in arrears, and will mature on 4 October 2021, unless redeemed earlier.
- (iii) On 27 May 2014, the Company issued senior notes in an aggregate principal amount of USD550,000,000 (the “2019 Notes I”). The 2019 Notes I carry interest at the rate of 7.875% per annum, payable semi-annually on 27 May and 27 November in arrears, and will mature on 27 May 2019, unless redeemed earlier.

On 25 August 2017 (the “Redemption Date”), all the outstanding 2019 Notes I were early redeemed at a redemption price equal to 103.9375% of the principal amount thereof, plus accrued and unpaid interest of USD10,587,500 to the Redemption Date. The total redemption price paid by the Company on the Redemption Date was USD582,243,750 (equivalent to approximately RMB3,661,845,000). The difference between the redemption price and the carrying amount of the 2019 Notes I on the Redemption Date, amounting to USD21,656,250 (equivalent to approximately RMB146,566,000), was charged to profit or loss under ‘finance income/(costs) – net’ (note 33).

- (iv) On 5 June 2014, the Company issued senior notes in an aggregated principal amount of USD250,000,000 (the “2019 Notes II”). The 2019 Notes II were issued by way of private placement and carry interest at the rate of 7.5% per annum, payable semi-annually on 5 June and 5 December in arrears, and will mature on 5 June 2019.
- (v) On 9 March 2015, the Company issued senior notes in an aggregated principal amount of USD900,000,000 (the “2020 Notes”). The 2020 Notes carry interest at the rate of 7.5% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier.
- (vi) On 28 September 2016, the Company issued senior notes in an aggregated principal amount of USD650,000,000 (the “2023 Notes II”). The 2023 Notes II carry interest at the rate of 4.75% per annum, payable semi-annually on 28 March and 28 September in arrears, and will mature on 28 September 2023, unless redeemed earlier.

23 Senior notes (Continued)

- (a) The Group has issued the following senior notes: (Continued)
- (vii) On 15 December 2016, the Company issued senior notes in an aggregated principal amount of USD350,000,000 (the "2026 Notes"). The 2026 Notes carry interest at the rate of 5.625% per annum, payable semi-annually on 15 June and 15 December in arrears, and will mature on 15 December 2026, unless redeemed earlier.
 - (viii) On 25 July 2017 and 16 August 2017, the Company issued senior notes in an aggregated principal amount of USD600,000,000 and USD100,000,000 (the "2022 Notes"). The 2022 Notes carry interest at the rate of 4.75% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 July 2022, unless redeemed earlier.
 - (ix) On 22 November 2017, the Company issued senior notes in an aggregated principal amount of USD500,000,000 (the "2018 Notes"). The 2018 Notes carry interest at the rate of 3.875% per annum, payable semi-annually on 20 May and 20 November in arrears, and will mature on 20 November 2018, unless redeemed earlier.
- (b) Except for the 2019 Notes II and 2018 Notes, all senior notes are listed on the Singapore Exchange Securities Trading Limited.

Except for the 2019 Notes II and 2018 Notes, all senior notes contain various early redemption options and put option.

Early redemption options exercisable by the Group are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options was insignificant on initial recognition and at 31 December 2017 and 2016.

Except for the above early redemption options, the holders of the 2026 Notes have a put option to request the Company to repurchase their notes on 15 December 2021 at the price equal to 100% of the principle amounts of their notes. The directors consider that the fair value of this put option was insignificant on initial recognition and at 31 December 2017 and 2016.

The interest charged for the year is calculated by applying an effective interest rate of approximately 5.79%, 7.91%, 5.16%, 5.10%, 7.84%, 7.96%, 8.77%, 7.72% and 4.67% per annum to the debt component of the 2026 Notes, 2023 Notes I, 2023 Notes II, 2022 Notes, 2021 Notes, 2020 Notes, 2019 Notes I, 2019 Notes II and 2018 Notes respectively.

The fair values of the senior notes at 31 December 2017 were approximately RMB32,223,747,000 (2016: RMB30,017,205,000). The fair value is calculated using the market prices of the senior notes on the date of statement of financial position. The fair value measurement of the senior notes is categorised within level 1 of fair value hierarchy.

Notes to the Consolidated Financial Statements

23 Senior notes (Continued)

- (c) All of the Group's senior notes are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, none of these covenants had been breached.

24 Corporate bonds

	2017 RMB'000	2016 RMB'000
As at 1 January	37,709,624	15,258,499
Additions	10,663,805	21,901,130
Interest expenses (note 33)	1,961,296	1,260,657
Repayment upon maturity	(1,124,815)	–
Coupon interest paid	(1,875,231)	(714,613)
Exchange differences	–	3,951
	47,334,679	37,709,624
Less: current portion included in current liabilities	(16,814,444)	(8,207,477)
Included in non-current liabilities	30,520,235	29,502,147

The Group's corporate bonds are repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	16,814,444	8,207,477
Between 1 and 2 years	17,024,777	16,420,928
Between 2 and 5 years	13,495,458	13,081,219
	47,334,679	37,709,624

24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2017:

Name of bond	Par value RMB'000	Interest rate	Issue date	Term of the bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
RMB Corporate bonds of the Company issued in 2015	1,000,000	4.99%	29 December 2015	5 years	985,000	5.55%
RMB Corporate bonds tranche I of the Company issued in 2016	4,000,000	4.75%	2 March 2016	5 years	3,980,000	4.93%
RMB Corporate bonds tranche II of the Company issued in 2016	4,000,000	4.55%	29 March 2016	4 years	3,980,000	4.82%
RMB Corporate bonds tranche III of the Company issued in 2016	1,000,000	4.60%	2 August 2016	5 years	995,000	4.78%
RMB Corporate bonds tranche IV of the Company issued in 2016 — series I	4,170,000	4.15%	2 September 2016	4 years	4,152,903	4.37%
RMB Corporate bonds tranche IV of the Company issued in 2016 — series II	5,830,000	5.65%	2 September 2016	7 years	5,806,097	5.75%
RMB Corporate bonds I tranche I of Zengcheng Country Garden issued in 2015	3,000,000	4.20%	3 August 2015	3 years	2,989,500	4.33%
RMB Corporate bonds I tranche II of Zengcheng Country Garden issued in 2015	3,000,000	4.20%	12 August 2015	3 years	2,991,000	4.31%
RMB Corporate bonds II tranche I of Zengcheng Country Garden issued in 2015	3,700,000	6.50%	9 November 2015	4 years	3,700,000	6.50%
RMB Corporate bonds II tranche II of Zengcheng Country Garden issued in 2015	3,360,000	6.50%	7 December 2015	4 years	3,360,000	6.50%
RMB Corporate bonds of Giant Leap issued in 2016 — series I	1,000,000	3.20%	21 October 2016	4 years	995,710	3.43%
RMB Corporate bonds of Giant Leap issued in 2016 — series II	2,000,000	3.90%	21 October 2016	7 years	1,991,420	4.00%
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche I	1,500,000	6.00%	28 August 2017	3 years	1,496,105	6.10%
RMB Corporate bonds I of Giant Leap issued in 2017 — tranche II	1,500,000	5.90%	20 October 2017	3 years	1,494,200	6.04%
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche I	3,800,000	6.90%	24 October 2017	4 years	3,779,500	7.20%

Notes to the Consolidated Financial Statements

24 Corporate bonds (Continued)

(a) The Group's corporate bonds comprised the followings as at 31 December 2017: (Continued)

Name of bond	Par value RMB'000	Interest rate	Issue date	Term of the bond	Net proceeds after issuance cost RMB'000	Effective interest rate per annum
RMB Corporate bonds II of Giant Leap issued in 2017 — tranche II	1,200,000	6.90%	10 November 2017	4 years	1,194,000	7.18%
RMB Private bonds I of Country Garden Property Co., Ltd. issued in 2017 — tranche I	2,000,000	6.50%	10 October 2017	3 years	2,000,000	6.50%
RMB Private bonds I of Country Garden Property Co., Ltd. issued in 2017 — tranche II	700,000	6.00%	23 November 2017	3 years	700,000	6.00%

(b) The RMB corporate bonds issued by Zengcheng Country Garden and Giant Leap were guaranteed by the Company.

(c) RMB corporate bonds issued by the Company, RMB corporate bonds issued in 2016 and RMB corporate bonds II issued in 2017 by Giant Leap contain a debt component, put options and coupon rate adjustment options:

Debt component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The directors consider that the fair values of the above coupon rate adjustment options were insignificant on initial recognition and at 31 December 2017 and 2016.

Certain corporate bonds will mature within one year to the contractual repricing dates, which is included in current liability of the consolidated statement of financial position.

The fair values of the corporate bonds at 31 December 2017 were RMB49,650,836,000 (2016: RMB36,994,390,000). The fair value measurement of RMB corporate bonds I tranche I and II issued by Zengcheng Country Garden and RMB corporate bonds issued by Giant Leap are categorised within level 1 of the fair value hierarchy as they are listed on Shanghai Stock Exchange. The fair value measurement of other corporate bonds is categorised within level 3 of the fair value hierarchy as they are private placements. The fair values of these corporate bonds are calculated based on the discounted cash flows of the principal and interest payments.

25 Bank and other borrowings

	2017 RMB'000	2016 RMB'000
Included in non-current liabilities:		
— secured	48,337,876	21,456,699
— unsecured	70,495,890	30,120,672
Less: current portion	(30,988,784)	(12,867,292)
	87,844,982	38,710,079
Included in current liabilities:		
— secured	4,138,160	7,433,863
— unsecured	12,544,843	10,211,570
Current portion of non-current liabilities	30,988,784	12,867,292
	47,671,787	30,512,725
Total bank and other borrowings	135,516,769	69,222,804

The Group's borrowings as at 31 December 2017 of RMB52,476,036,000 (2016: RMB28,890,562,000), were secured by certain properties, land use rights and equipment of the Group (notes 7, 8, 10 and 11) with total carrying values of RMB35,015,648,000 (2016: RMB24,495,397,000) and/or secured by the Group's equity interests in certain subsidiaries.

At 31 December 2017, the Group's bank and other borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	47,671,787	30,512,725
Between 1 and 2 years	36,994,063	18,085,406
Between 2 and 5 years	50,099,259	18,110,041
Over 5 years	751,660	2,514,632
	135,516,769	69,222,804

Notes to the Consolidated Financial Statements

25 Bank and other borrowings (Continued)

The annual weighted average effective interest rates for the year ended 31 December were as follows:

	2017	2016
— Bank and other borrowings	5.67%	6.01%

The carrying amounts of the bank and other borrowings approximated their fair values as these borrowings are mainly floating-rate borrowings.

The carrying amounts of the bank and other borrowings are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	103,872,713	54,768,769
HKD	9,969,999	3,932,713
USD	18,305,781	8,190,914
RM	1,465,106	1,531,550
Other	1,903,170	798,858
	135,516,769	69,222,804

Certain of the Group's bank and other borrowings are subject to the fulfilment of covenants relating to certain of the Group's debt servicing financial indicators. The Group regularly monitors its compliance with these covenants. As at 31 December 2017, none of these covenants had been breached.

26 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000	Treasury shares RMB'000	Group total RMB'000
Authorised							
At 1 January 2016, 31 December 2016 and 2017, HKD0.10 per share	100,000,000,000	10,000,000					
Issued and fully paid							
At 1 January 2016	22,588,019,782	2,258,802	2,116,865	27,475,982	29,592,847	(380,236)	29,212,611
Buy-back of shares	-	-	-	-	-	(3,535,394)	(3,535,394)
Cancellation of shares	(981,277,000)	(98,128)	(84,486)	(3,046,223)	(3,130,709)	3,130,709	-
At 31 December 2016 and 1 January 2017	21,606,742,782	2,160,674	2,032,379	24,429,759	26,462,138	(784,921)	25,677,217
Buy-back of shares (note (a))	-	-	-	-	-	(1,216,406)	(1,216,406)
Cancellation of shares	(326,854,000)	(32,685)	(28,807)	(1,592,284)	(1,621,091)	1,621,091	-
At 31 December 2017	21,279,888,782	2,127,989	2,003,572	22,837,475	24,841,047	(380,236)	24,460,811

(a) Buy-back of shares

The Group bought back a total of 222,078,000 (2016: 1,086,053,000) of the Company's shares during 2017. The total consideration paid to buy back these shares was RMB1,216,406,000 (2016: RMB3,535,394,000), which has been deducted from equity attributable to the owners of the Company.

27 Employee share schemes

The share-based compensation expenses recognised are as follows:

	2017 RMB'000	2016 RMB'000
Share option scheme	26,302	10,944
Share award scheme	238,966	33,685
Deemed share-based compensation	-	38,205
	265,268	82,834

Notes to the Consolidated Financial Statements

27 Employee share schemes (Continued)

(a) Share option scheme

On 30 November 2012, the Group granted 3,000,000 share options (adjusted to 3,044,358 as a result of a rights issue in 2014) with an exercise price of HKD3.7 per share (adjusted to HKD3.646 per share as a result of a rights issue in 2014) to certain independent non-executive directors. The options were vested immediately after the grant date and have a contractual option term of 10 years. The Group has no legal or contractual obligation to repurchase or settle the options in cash.

On 13 December 2013, the Group granted 6,173,457 share options (adjusted to 6,264,738 as a result of a rights issue in 2014) with an exercise price of HKD4.844 per share (adjusted to HKD4.773 per share as a result of a rights issue in 2014) to certain directors and employees in connection with a profit sharing incentive scheme (the "Incentive Scheme") adopted by the Group.

On 14 January 2016, 16 March 2016, 11 May 2016 and 19 August 2016, the Group granted 2,665,373, 2,431,903, 1,599,861 and 1,265,081 share options with exercise prices of HKD3.020, HKD3.332, HKD3.106 and HKD3.740 per share, respectively, to certain directors in connection with the Incentive Scheme.

On 22 May 2017, 24 August 2017 and 8 December 2017, the Group granted 2,895,406, 978,409 and 659,817 share options with exercise prices of HKD8.250, HKD10.100 and HKD12.980 per share, respectively, to certain directors in connection with the Incentive Scheme.

Pursuant to the Incentive Scheme, certain portion of the bonus calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares as the consideration for the costs to exercise the share options. The vesting period of the above share options is 5 years from their respective grant dates. The fair value of these share options at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Weighted-average exercise price (HKD per share)	Number of options	Weighted-average exercise price (HKD per share)	Number of options
At 1 January	3.997	14,061,871	4.382	8,765,026
Granted	9.338	4,533,632	3.250	7,962,218
Lapsed	-	-	3.020	(2,665,373)
At 31 December	5.299	18,595,503	3.997	14,061,871

None of the above share options were exercised in 2017 (2016: nil).

27 Employee share schemes (Continued)

(a) Share option scheme (Continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of share options
29 November 2022	3.646	3,044,358
12 December 2023	4.773	5,720,668
15 March 2026	3.332	2,431,903
10 May 2026	3.106	1,599,861
18 August 2026	3.740	1,265,081
21 May 2027	8.250	2,895,406
23 August 2027	10.100	978,409
7 December 2027	12.980	659,817
		18,595,503

The Group has to estimate the expected percentage of grantees that will stay within the Group at the end of vesting periods (the "Expected Retention Rate") of the shares option scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2017, the Expected Retention Rate was assessed to be 100% (2016: 100%).

(b) Share award scheme

Pursuant to the Incentive Scheme, certain portion of the bonus to certain senior management and employees, calculated in accordance with the Incentive Scheme is settled in cash, while the remaining portion is settled in the Company's shares (the "Awarded Shares"). The vesting period of the Awarded Shares is 5 years from their respective grant dates.

The Group planned to use treasury shares to award the grantees of the Awarded Shares. The Awarded Shares are held by a wholly-owned subsidiary of the Group, on behalf of these senior management and employees until the end of vesting periods.

The fair value of these Awarded Shares at the grant date approximated the portion of bonus which is to be settled in the Company's shares.

Notes to the Consolidated Financial Statements

27 Employee share schemes (Continued)

(b) Share award scheme (Continued)

Movements in the number of Awarded Shares are as follows:

	2017 Number of shares awarded	2016 Number of shares awarded
At 1 January	51,706,175	31,802,701
Granted	38,025,132	19,903,474
Lapsed	(3,763,019)	–
At 31 December	85,968,288	51,706,175

The Group has to estimate the Expected Retention Rate of the share award scheme in order to determine the amount of share-based compensation expenses charged to profit or loss. As at 31 December 2017, the Expected Retention Rate was assessed to be 100% (2016: 100%).

28 Other reserves and retained earnings

	Merger reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Share option reserve RMB'000	FVOCI reserve RMB'000	Translation reserve RMB'000	Revaluation reserve RMB'000	Cash flow hedge reserve RMB'000	Deferred costs of hedging reserve RMB'000	Others RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	39,967,106	44,451,148
Adjustment on adoption of HKFRS 15 (note 3)	–	–	–	–	–	–	–	–	–	–	3,152,346	3,152,346
Restated other reserves at 1 January 2017	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(385,260)	4,484,042	43,119,452	47,603,494
Profit for the year	–	–	–	–	–	–	–	–	–	–	26,063,518	26,063,518
Transfer to statutory reserves (note (b))	–	1,129,399	–	–	–	–	–	–	–	1,129,399	(1,129,399)	–
2016 final and 2017 interim dividends	–	–	–	–	–	–	–	–	–	–	(5,382,105)	(5,382,105)
Reclassification of revaluation reserve upon disposal	–	–	–	–	–	(595,626)	–	–	–	(595,626)	595,626	–
Employee share scheme	–	–	265,268	–	–	–	–	–	–	265,268	–	265,268
– Value of employee service (note 27)	–	–	265,268	–	–	–	–	–	–	265,268	–	265,268
Change in fair value of financial assets at FVOCI, net of tax	–	–	–	(56,435)	–	–	–	–	–	(56,435)	–	(56,435)
Changes in ownership interests in subsidiaries without change of control (note 40)	–	–	–	–	–	–	–	–	(52,024)	(52,024)	–	(52,024)
Currency translation differences	–	–	–	–	121,291	–	–	–	–	121,291	–	121,291
Deferred losses on cash flow hedges, net of tax	–	–	–	–	–	–	(103,806)	–	–	(103,806)	–	(103,806)
Deferred gains of hedging, net of tax	–	–	–	–	–	–	–	750,560	–	750,560	–	750,560
Balance at 31 December 2017	(149,801)	5,341,910	396,343	2,901	(520,846)	868,611	(13,824)	454,659	(437,284)	5,942,669	63,267,092	69,209,761

28 Other reserves and retained earnings (Continued)

	Merger reserve	Statutory reserve	Share option reserve	FVOCI reserve	Translation reserve	Revaluation reserve	Cash flow hedge reserve	Deferred costs of hedging reserve	Others	Total reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note(a))	(note(b))										
Balance at 1 January 2016	(149,801)	3,859,814	86,446	13,415	(870,517)	1,464,237	-	-	(461,455)	3,942,139	31,808,028	35,750,167
Profit for the year	-	-	-	-	-	-	-	-	-	-	11,516,815	11,516,815
Transfer to statutory reserves (note (b))	-	352,697	-	-	-	-	-	-	-	352,697	(352,697)	-
2015 final and 2016 interim dividends	-	-	-	-	-	-	-	-	-	-	(3,005,040)	(3,005,040)
Capital injection from non-controlling interests (note (a))	-	-	-	-	-	-	-	-	86,400	86,400	-	86,400
Employee share scheme - Value of employee service (note 27)	-	-	44,629	-	-	-	-	-	38,205	82,834	-	82,834
Change in fair value of financial assets at FVOCI, net of tax	-	-	-	45,921	-	-	-	-	-	45,921	-	45,921
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	-	-	-	-	(48,410)	(48,410)	-	(48,410)
Currency translation differences	-	-	-	-	228,380	-	-	-	-	228,380	-	228,380
Deferred gains on cash flow hedges, net of tax	-	-	-	-	-	-	89,982	-	-	89,982	-	89,982
Deferred costs of hedging, net of tax	-	-	-	-	-	-	-	(295,901)	-	(295,901)	-	(295,901)
Balance at 31 December 2016	(149,801)	4,212,511	131,075	59,336	(642,137)	1,464,237	89,982	(295,901)	(365,260)	4,484,042	39,967,106	44,451,148

Notes:

- (a) Merger reserve of the Group represented the difference between the share capital of subsidiaries acquired pursuant to a group reorganisation undertaken for the listing of Company on the main board of the Stock Exchange in 2007 over the nominal value of shares of the Company issued in exchange thereof.
- (b) Pursuant to the relevant rules and regulations governing foreign investment enterprise established in the Mainland China and the articles of association of certain subsidiaries in Mainland of the Group, the subsidiaries are required to transfer certain portion of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their respective registered capital.

Notes to the Consolidated Financial Statements

29 Deferred income tax

The analysis of deferred tax assets and liabilities is as follows:

	2017 RMB'000	2016 RMB'000
Deferred income tax assets:		
– to be realised after more than 12 months	4,987,672	3,202,375
– to be realised within 12 months	7,210,010	4,619,938
	12,197,682	7,822,313
Deferred income tax liabilities:		
– to be settled after more than 12 months	(14,758,131)	(6,262,382)
– to be settled within 12 months	(1,689,518)	(665,922)
	(16,447,649)	(6,928,304)
	(4,249,967)	894,009

The movement on the net deferred income tax account is as follows:

	2017 RMB'000	2016 RMB'000
Beginning of the year	894,009	(28,775)
Adjustment on adoption of HKFRS 15 (note 3(a))	(1,680,286)	–
Acquisition of subsidiaries (note 42)	(3,832,863)	(2,170,554)
Credited/(charged) to other comprehensive income	4,569	(7,853)
Credited in profit or loss (note 34)	364,604	3,101,191
End of the year	(4,249,967)	894,009

29 Deferred income tax (Continued)

Movement in deferred tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	Impairment of assets RMB'000	Fair value loss from business combination RMB'000	Recognition of expenses RMB'000	Elimination of unrealised profits RMB'000	Tax losses RMB'000	Prepaid income tax RMB'000	Total RMB'000
At 1 January 2016	–	15,887	24,701	1,246,740	2,499,614	–	3,786,942
Acquisition of subsidiaries	–	67,105	–	–	–	–	67,105
Credited to profit or loss	188,156	–	58,650	3,677	1,903,962	1,813,821	3,968,266
At 31 December 2016	188,156	82,992	83,351	1,250,417	4,403,576	1,813,821	7,822,313
At 1 January 2017	188,156	82,992	83,351	1,250,417	4,403,576	1,813,821	7,822,313
Acquisition of subsidiaries (note 42)	–	33,264	–	–	–	–	33,264
Credited/(charged) to profit or loss	73,545	–	235,261	(360,525)	3,031,743	1,362,081	4,342,105
At 31 December 2017	261,701	116,256	318,612	889,892	7,435,319	3,175,902	12,197,682

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets as at 31 December 2017 of RMB13,698,000 (2016: RMB8,563,000) in respect of accumulated tax losses amounting to RMB54,791,000 as at 31 December 2017 (2016: RMB34,253,000).

Notes to the Consolidated Financial Statements

29 Deferred income tax (Continued)

Deferred income tax liabilities:

	Fair value gain from business combination	Recognition of revenue over time	Withholding income tax on profit to be distributed in future	Fair value changes on investment properties	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	(774,001)	(1,327,008)	(543,396)	(1,169,729)	(1,583)	(3,815,717)
Acquisition of subsidiaries	(2,237,659)	–	–	–	–	(2,237,659)
Charged to other comprehensive income	–	–	–	–	(7,853)	(7,853)
Credited/(Charged) to profit or loss	205,122	(904,807)	(40,628)	(69,775)	(56,987)	(867,075)
At 31 December 2016	(2,806,538)	(2,231,815)	(584,024)	(1,239,504)	(66,423)	(6,928,304)
At 1 January 2017	(2,806,538)	(2,231,815)	(584,024)	(1,239,504)	(66,423)	(6,928,304)
Adjustment on adoption of HKFRS 15 (note 3(a))	–	(1,680,286)	–	–	–	(1,680,286)
Acquisition of subsidiaries (note 42)	(3,866,127)	–	–	–	–	(3,866,127)
Credited to other comprehensive income	–	–	–	–	4,569	4,569
Credited/(Charged) to profit or loss	579,424	(4,477,425)	(356,586)	419,916	(142,830)	(3,977,501)
At 31 December 2017	(6,093,241)	(8,389,526)	(940,610)	(819,588)	(204,684)	(16,447,649)

Note:

As at 31 December 2017, the retained earnings of the Group's subsidiaries not yet remitted to holding companies incorporated outside Mainland China, for which no deferred income tax liability had been provided, were approximately RMB57,639,394,000 (2016: RMB41,627,058,000). Such earnings are expected to be retained by the subsidiaries in Mainland China for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimations of overseas funding requirements.

30 Other income and gains – net

	2017 RMB'000	2016 RMB'000
Other income		
– Management and consulting service income	848,781	–
– Forfeiture of advances received from customers	42,366	19,626
– Government subsidy income	28,945	16,697
	920,092	36,323
Other gains/(losses)		
– Gains arising from negative goodwill (note 42)	1,936,261	1,257,658
– Changes in fair value of derivative financial instruments	(400,784)	149,827
– (Losses)/gains on disposal of subsidiaries (note 41)	(170,247)	36,980
– Gains on disposals of property, plant and equipment (note 36(b))	17,586	18,722
– Others	308,587	30,955
	1,691,403	1,494,142
Total other income and gains – net	2,611,495	1,530,465

Notes to the Consolidated Financial Statements

31 Expenses by nature

	2017 RMB'000	2016 RMB'000
Auditor's remuneration	29,306	17,141
— Audit services	17,525	11,280
— Non-audit services	11,781	5,861
Advertising costs	3,438,146	3,873,047
Amortisation of intangible assets (note 9)	25,598	19,063
Provision for impairment of trade and other receivables	339,494	88,371
Business taxes and other levies (note (b))	3,648,517	6,374,273
Costs of properties recognised in profit or loss	162,751,971	113,131,527
Amorisation of incremental costs for obtaining contracts	573,462	—
Donations (note (a))	792,919	420,009
Depreciation (note 7)	724,827	697,462
Employee benefit expenses (note 32)	9,483,623	6,464,200
Land use rights amortisation (note 10)	74,077	60,731
Rental expenses	509,976	290,954
Others	4,025,896	1,768,095
Total cost of sales, selling and marketing costs and administrative expenses	186,417,812	133,204,873

Note:

- (a) During the year, RMB79,037,000 (2016: RMB386,200,000) of the Group's donations were made through Guoqiang Public Welfare Foundation of Guangdong Province. Certain directors of the Group are also directors of the foundation.
- (b) The subsidiaries in Mainland China of the Group are subject to value added tax ("VAT") from 1 May 2016 on their revenues instead of business tax. The applicable tax rates are as follows:

Category	Rate of VAT
Sale of properties (i)	5%, 11%
Property construction (ii)	3%, 11%
Property investment (i)	5%, 11%
Property management (ii)	3%, 6%
Hotel service (ii)	3%, 6%

(i) VAT for sales of properties and income from property investment, in the case that the construction of properties commenced or the investment property was acquired before 1 May 2016, is calculated at a tax rate of 5% based on a simple method. Otherwise, the VAT is calculated at a tax rate of 11%.

(ii) VAT for general VAT payer and small-scale VAT payer of property construction is 11% and 3%, respectively, and 6% and 3% for property management and hotel service, respectively.

32 Employee benefit expenses

	2017 RMB'000	2016 RMB'000
Wages and salaries	15,220,964	10,115,129
Contributions to pension plans (note (a))	106,191	69,928
Staff welfare	242,730	159,842
Medical benefits	212,387	139,861
Share-based compensation expenses (note 27)	265,268	82,834
Other allowances and benefits	60,679	39,959
	16,108,219	10,607,553
Less: capitalised in properties under development	(6,624,596)	(4,143,353)
	9,483,623	6,464,200

(a) Contributions to pension plans

Employees in the Group's subsidiaries in Mainland China are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal governments. The Group's subsidiaries in Mainland China contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal governments to the scheme to fund the retirement benefits of the employees.

Notes to the Consolidated Financial Statements

32 Employee benefit expenses (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2016: two) directors whose emoluments are reflected in the analysis shown in note 47. The emoluments payable to the remaining four (2016: three) individuals during the year are as follows:

	2017 RMB'000	2016 RMB'000
Salaries	8,831	5,331
Discretionary bonuses	193,416	101,072
Other benefits and share-based compensation expenses	27,174	2,682
Employer's contribution to retirement benefit scheme	205	154
	229,626	109,239

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HKD30,000,001 to HKD30,500,000	–	1
HKD46,000,001 to HKD46,500,000	–	1
HKD50,500,001 to HKD51,000,000	–	1
HKD51,000,001 to HKD51,500,000	1	–
HKD53,500,001 to HKD54,000,000	1	–
HKD55,000,001 to HKD55,500,000	1	–
HKD104,500,001 to HKD105,000,000	1	–

33 Finance income/(costs) – net

	2017 RMB'000	2016 RMB'000
Finance income:		
– Interest income on bank deposits and financial assets at FVTPL	1,619,973	532,870
– Net foreign exchange gains on financing activities	3,587,096	–
Reclassified from cash flow hedge reserves	(1,641,414)	–
Reclassified from deferred costs of hedging reserves	(143,003)	–
	1,802,679	–
	3,422,652	532,870
Finance costs:		
– Interest expenses:		
– Bank and other borrowings	(6,552,840)	(3,741,134)
– Senior notes	(2,222,000)	(1,731,150)
– Corporate bonds	(1,961,296)	(1,260,657)
– Receipts under securitisation arrangements	(304,425)	(143,810)
	(11,040,561)	(6,876,751)
Less: amounts capitalised on qualifying assets	11,040,561	6,733,712
	–	(143,039)
– Net foreign exchange losses on financing activities	–	(2,747,572)
Reclassified from cash flow hedge reserves	–	1,332,303
Reclassified from deferred costs of hedging reserves	–	(69,867)
	–	(1,485,136)
– Loss on early redemption of senior notes (note 23(a)(iii))	(146,566)	–
	(146,566)	(1,628,175)
Finance income/(costs) – net	3,276,086	(1,095,305)

Notes to the Consolidated Financial Statements

34 Income tax expenses

	2017 RMB'000	2016 RMB'000
Current income tax		
– Corporate income tax	9,852,047	7,155,122
– Land appreciation tax (note (c))	8,282,721	3,673,418
	18,134,768	10,828,540
Deferred income tax (note 29)		
– Corporate income tax	(383,360)	(2,583,387)
– Land appreciation tax (note (c))	(337,830)	(558,432)
– Withholding income tax (note (d))	356,586	40,628
	(364,604)	(3,101,191)
	17,770,164	7,727,349

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the Group companies as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax	46,521,969	21,390,572
Tax calculated at Mainland China corporate income tax rate of 25% (2016: 25%)	11,630,492	5,347,643
Different tax rates applicable to different subsidiaries of the Group	8,250	60,827
Land appreciation tax deductible for calculation of income tax purpose	(1,986,223)	(778,747)
Utilisation of tax losses not recognised as deferred income tax assets	(5,135)	(2,229)
Effects of share of post-tax results of joint ventures and associates	88,076	(90,426)
Income not subject to tax	(985,619)	(358,605)
Expenses not deductible for tax	718,846	393,272
	9,468,687	4,571,735
Withholding income tax on profit to be distributed in future (note (d))	356,586	40,628
Land appreciation tax (note (c))	7,944,891	3,114,986
Income tax expenses	17,770,164	7,727,349

34 Income tax expenses (Continued)

Note:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2016:16.5%) on the estimated assessable profits of the Group's subsidiaries in Hong Kong.
- (b) Mainland China corporate income tax has been provided at corporate income tax rate of 25%.
- (c) Mainland China land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.
- (d) Withholding income tax is provided on the dividends to be distributed by the Mainland China subsidiaries of the Group. The relevant overseas holding companies have successfully obtained endorsement from various Mainland China tax bureaus to enjoy the treaty benefit of 5% withholding income tax rate on dividends received from the Mainland China subsidiaries of the Group. Accordingly, withholding income tax has been provided at 5% of the dividends to be distributed by the Mainland China subsidiaries of the Group.

35 Dividends

	2017 RMB'000	2016 RMB'000
Interim dividend of RMB15.02 cents (2016: RMB 6.92 cents) per share	3,205,362	1,556,610
Proposed final dividend of RMB24.95 cents (2016: RMB10.20 cents) per share	5,424,108	2,176,743
Total	8,629,470	3,733,353

On 22 August 2017, the Board of Directors declared the payment of a 2017 interim dividend of RMB15.02 cents per share, totalling RMB3,205,362,000, which was paid in cash in November 2017 (2016 interim dividend: RMB1,556,610,000).

The final dividend in respect of 2016 of RMB10.20 cents per share, totalling RMB2,176,743,000, has been approved in the Annual General Meeting on 18 May 2017 and paid in cash in July 2017.

The Board of Directors recommended the payment of a 2017 final dividend of RMB24.95 cents per share, totalling RMB5,424,108,000, which has taken into account the effect of placing of the Company's shares subsequent to 31 December 2017 and up to the date of these financial statements. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

Notes to the Consolidated Financial Statements

36 Cash flow information

(a) Cash generated from operations

	2017 RMB'000	2016 RMB'000
Profit for the year	28,751,805	13,663,223
Adjustments for:		
Income tax expenses (note 34)	17,770,164	7,727,349
Interest income (note 33)	(1,619,973)	(532,870)
Interest expense (note 33)	–	143,039
Loss on early redemption of senior notes (note 33)	146,566	–
Net foreign exchange (gains)/losses (note 33)	(1,802,679)	1,485,136
Depreciation (note 7)	724,827	697,462
Amortisation of land use rights (note 10)	74,077	60,731
Amortisation of intangible assets (note 9)	25,598	19,063
Gains on disposals of property, plant and equipment (note 30)	(17,586)	(18,722)
Provision for impairment of trade and other receivables	339,494	88,371
Share of losses/(profits) of joint ventures and associates (note 12)	352,304	(361,704)
Gains arising from changes in fair value of and transfer to investment properties (note 8)	(504,718)	(711,604)
Share-based compensation expense (note 32)	265,268	82,834
Gains arising from negative goodwill (note 42)	(1,936,261)	(1,257,658)
Changes in fair value of financial assets at FVTPL	63,797	–
Changes in fair value of derivative financial instruments (notes 30)	400,784	(149,827)
Losses/(gains) on disposals of subsidiaries (note 30)	170,247	(36,980)
	43,203,714	20,897,843
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries and currency exchange differences on consolidation):		
Property under development and completed properties held for sale	(134,747,259)	(43,515,665)
Inventories	(2,047,604)	(225,290)
Restricted cash	1,886,935	(206,862)
Trade and other receivables	(155,704,952)	(71,902,317)
Prepaid taxes (excluding prepaid income taxes)	3,731,177	(521,689)
Contract assets	(8,981,435)	–
Contract liabilities	176,865,219	–
Trade and other payables	129,795,363	64,482,987
Advanced proceeds received from customers	–	88,294,136
Cash generated from operations	54,001,158	57,303,143

36 Cash flow information (Continued)

(b) In the consolidated cash flow statement, proceeds from disposals of property, plant and equipment comprise:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment		
Net book amount of disposals (note 7)	336,326	213,643
Gains on disposals (note 30)	17,586	18,722
Proceeds	353,912	232,365

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings RMB'000	Senior notes RMB'000	Corporate bonds RMB'000	Receipts under securitisation arrangements RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Net debt as at						
31 December 2016	69,222,804	29,264,448	37,709,624	7,043,440	(1,179,770)	142,060,546
Cash flows						
– Increase	87,105,843	7,746,953	10,663,805	–	–	105,516,601
– Decrease	(20,006,471)	(3,808,411)	(1,124,815)	(5,238,336)	(373,746)	(30,551,779)
– Interest paid	(6,622,051)	(2,000,592)	(1,875,231)	(304,425)	–	(10,802,299)
– Acquisition of subsidiaries	9,371,990	–	–	–	–	9,371,990
– Disposal of subsidiaries	(8,576,193)	–	–	–	–	(8,576,193)
Non-cash movements						
– Interest expenses	6,552,840	2,222,000	1,961,296	304,425	–	11,040,561
– Loss on early redemption of senior notes	–	146,566	–	–	–	146,566
– Changes in fair value of derivative financial instruments	–	–	–	–	400,784	400,784
– Foreign exchange adjustments	(1,601,204)	(1,657,385)	–	–	–	(3,258,589)
– Other non-cash movements	69,211	–	–	–	1,560,751	1,629,962
Net debt as at						
31 December 2017	135,516,769	31,913,579	47,334,679	1,805,104	408,019	216,978,150

Notes to the Consolidated Financial Statements

37 Earnings per share

(a) Basic

Basic 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, excluding ordinary shares purchased by the Group and held as treasury shares (note 26).

	2017	2016
Profit attributable to owners of the Company (RMB'000)	26,063,518	11,516,815
Weighted average number of ordinary shares in issue (thousands)	21,224,060	22,075,611
Earnings per share — Basic (RMB cents per share)	122.80	52.17

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and the Awarded Shares. For the share options and Awarded Shares, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and Awarded Shares. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and Awarded Shares.

	2017	2016
Profit attributable to owners of the Company (RMB'000)	26,063,518	11,516,815
Weighted average number of ordinary shares in issue (thousands)	21,224,060	22,075,611
Adjustments – share options and Awarded Shares (thousands)	59,151	16,560
Weighted average number of ordinary shares for diluted earnings per share (thousands)	21,283,211	22,092,171
Earnings per share — Diluted (RMB cents per share)	122.46	52.13

38 Guarantees

	2017 RMB'000	2016 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	214,908,534	127,502,653
Guarantees to joint ventures and associates and certain third parties in respect of borrowings (note (b))	33,499,551	18,617,370
	248,408,085	146,120,023

Note:

- (a) These represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. 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 retain the legal title and take over the possession of the related properties. The above guarantees are to be discharged upon the earlier of (i) issuance of the real estate ownership certificate which are generally available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The directors consider that 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) These mainly represented the maximum exposure of the guarantees provided for the borrowings of certain joint ventures and associates.

39 Commitments

(a) Commitments for capital and property development expenditures

	2017 RMB'000	2016 RMB'000
Contracted but not provided for:		
Property, plant and equipment	85,812	17,178
Property development expenditure (including land premium)	143,979,421	94,916,269
	144,065,233	94,933,447

Notes to the Consolidated Financial Statements

39 Commitments (Continued)

(b) Operating lease commitments

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	81,578	56,445
Later than one year and not later than five years	126,934	76,198
Later than five years	33,239	23,991
	241,751	156,634

(c) Operating lease rentals receivable

The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market price. The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of buildings are as follows:

	2017 RMB'000	2016 RMB'000
Not later than one year	208,341	131,731
Later than one year and not later than five years	722,386	460,477
Later than five years	426,553	588,544
	1,357,280	1,180,752

40 Transactions with non-controlling interests

(a) Acquisition of additional interests in subsidiaries

In 2017, the Group acquired additional equity interests of certain subsidiaries from the relevant non-controlling interests for a total cash consideration of RMB182,534,000.

The following table summarises the acquisitions.

	2017 RMB'000
Total carrying amounts of non-controlling interests acquired	25,683
Total consideration paid	(182,534)
Total difference recognised within equity	(156,851)

(b) Disposal of interests in subsidiaries without loss of control

In 2017, the Group disposed of certain equity interests of certain subsidiaries for a total cash consideration of RMB295,199,000.

The following table summarises the disposals.

	2017 RMB'000
Total carrying amounts disposed to non-controlling interests	(190,372)
Proceeds from disposals	295,199
Total difference recognised within equity	104,827

(c) The aggregate effects of the above transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2017:

	2017 RMB'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiaries	(156,851)
– Disposal of interests in subsidiaries without loss of control	104,827
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(52,024)

Notes to the Consolidated Financial Statements

41 Disposal of subsidiaries

During the year, the Group disposed of interests in a number of subsidiaries to certain third parties. Details of the disposals are as follows:

	RMB'000
Disposal consideration	
– Cash received	1,218,410
– Outstanding and included in other receivables	1,183,962
– Fair value of investments in joint ventures and associates held after disposal of certain subsidiaries	1,219,657
	3,622,029
Less:	
– Total net assets of subsidiaries disposed of	4,538,273
– Non-controlling interest disposed of	(745,997)
Losses on disposals	(170,247)
Cash proceeds from disposal, net of cash disposed of	
– Cash consideration received	1,218,410
– Less: cash and cash equivalents in the subsidiaries disposed of	(1,086,848)
– Net cash inflow on disposals	131,562

42 Business combination

Business combination during the year mainly included the acquisitions of a number of property development companies and acquisition of additional interest in joint ventures and associates. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

42 Business combination (Continued)

The acquired companies' principal activities are property development and management and construction. The financial information of these acquired companies on the acquisition date is summarised as follows:

	RMB'000
Total purchase consideration	
— Cash paid	8,520,871
— Fair value of investments in joint ventures and associates held before business combination	2,210,243
	10,731,114
Total recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6,617,006
Restricted cash	1,361,121
Property, plant and equipment	453,528
Properties under development and completed properties held for sale	63,284,040
Trade and other receivables	32,411,128
Deferred tax assets	33,264
Bank and other borrowings	(9,371,990)
Trade and other payables	(26,138,424)
Contract liabilities	(45,523,697)
Current income tax liabilities	(2,122,512)
Deferred tax liabilities	(3,866,127)
Total identifiable net assets	17,137,337
Non-controlling interests	(4,535,124)
Negative goodwill	(1,936,261)
Goodwill	65,162
	10,731,114
Outflow of cash to acquire business, net of cash acquired	
— cash considerations	8,520,871
— cash and cash equivalents in the subsidiaries acquired	(6,617,006)
Cash outflow on acquisitions	1,903,865

Gains arising from negative goodwill was mainly due to the fact that the sellers had the intention to exit from their investments in these acquired businesses due to various operational reasons or other shareholders intended to cooperate with a leading property developer in the PRC to resolve liquidity issues or bring in industry expertise.

Notes to the Consolidated Financial Statements

42 Business combination (Continued)

The goodwill arose from the acquisition was mainly attributable to economies of scales expected from combining the operations of the Group and the acquired entities.

The acquired businesses contributed total revenues of RMB17,258,223,000 and net profit of RMB3,499,564,000 to the Group for the period from their respective acquisition dates to 31 December 2017. Had these companies been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show pro-forma revenue of RMB227,131,406,000 and profit for the year of RMB27,876,109,000.

43 Related party transactions

The Company is ultimately controlled by Ms. Yang Huiyan (the "Ultimate Controlling Shareholder").

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties.

(a) Transactions with related parties

	2017 RMB'000	2016 RMB'000
(i) Controlled by certain shareholder, certain directors and/or their close family members		
Sales of properties	2,647,055	–
Purchase of design service	2,171,283	1,055,012
Construction service income	15,460	124,791
Other transactions	21,483	14,122
	4,855,281	1,193,925
(ii) Associates		
Providing guarantee in respect of borrowings	11,900,976	6,804,250
Construction service income	433,996	703,919
Other transactions	117,314	26,080
	12,452,286	7,534,249
(iii) Joint ventures		
Providing guarantee in respect of borrowings	19,956,075	11,813,120
Sales of properties	1,223,602	–
Construction service income	1,042,788	507,670
Other transactions	292,833	50,853
	22,515,298	12,371,643

The prices for the above design service fees, construction service fees, and other transactions were determined in accordance with the terms of the underlying agreements.

43 Related party transactions (Continued)

(b) Key management compensation

Key management includes directors and chief executive officer.

	2017 RMB'000	2016 RMB'000
Fees and salaries	53,682	66,471
Discretionary bonuses	168,174	34,870
Employer's contribution to retirement benefit	617	749
Other benefits and share-based compensation	13,042	5,851
	235,515	107,941

(c) Balances with related parties

Saved as disclosed in other notes above, the Group had the following significant balances with its related parties:

(i) Controlled by certain shareholder, certain directors and/or their close family members

	2017 RMB'000	2016 RMB'000
Trade receivables	281,514	218,015
Amounts due from customers of contract work	–	69,819
Contract assets	73,218	–
Other receivables	119,174	72,078
Other prepayments	62,208	48,497
Trade and other payables	2,707,281	347,906

(ii) Associates

Trade receivables	324,249	258,559
Amounts due from customers of contract work	–	158,544
Contract assets	396,045	–
Other receivables	22,649,429	8,928,396
Other prepayments	383	381
Trade and other payables	32,785,288	12,910,341

Notes to the Consolidated Financial Statements

43 Related party transactions (Continued)

(c) Balances with related parties (Continued)

(iii) Joint ventures

	2017 RMB'000	2016 RMB'000
Trade receivables	8,215,947	188,169
Amounts due from customers of contract work	–	169,608
Contract assets	590,122	–
Other receivables	22,278,719	8,568,473
Other prepayments	8,973	–
Trade and other payables	52,092,842	14,262,739
Loans to related parties	53,780	–

The above balances due from/to related parties are mainly interest free, unsecured and to be settled according to the contract terms.

44 Significant subsequent events

On 16 January 2018, the Group entered into a placing and subscription agreement for 460,000,000 shares at a price of HKD 17.13 per share. On the same date, the Group also entered into a bond subscription agreement for HKD-settled convertible bonds in an aggregate principal amount of HKD15,600,000,000 due 27 January 2019 (the "Bonds"). The Bonds could be converted into ordinary shares of the Company at the initial conversion price of HKD20.556 per share at any time on or after 11 March 2018 and before the tenth business day prior to the maturity date. The Bonds are listed in the Singapore Exchange Securities Trading Limited.

On 19 March 2018, the Group submitted the application materials to Stock Exchange in relation to the spin-off and listing of property management services business.

45 Statement of financial position and reserve movement of the Company

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		43,651,791	38,798,506
Derivative financial instruments		112,605	1,034,387
Financial assets at FVOCI		783,052	305,514
		44,547,448	40,138,407
Current assets			
Amounts due from subsidiaries		75,774,975	60,805,009
Other receivables		405,613	393,235
Cash and cash equivalents		3,331,602	2,220,930
Financial assets at FVTPL		196,026	–
Derivative financial instruments		47,265	187,145
		79,755,481	63,606,319
Current liabilities			
Amounts due to subsidiaries		13,326,896	12,671,372
Other payables		394,302	344,997
Senior notes		3,795,242	–
Bank and other borrowings		5,924,746	3,510,577
Derivative financial instruments		212,013	41,762
		23,653,199	16,568,708
Net current assets		56,102,282	47,037,611
Total assets less current liabilities		100,649,730	87,176,018

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45 Statement of financial position and reserve movement of the Company (Continued)

	Note	As at 31 December	
		2017 RMB'000	2016 RMB'000
Non-current liabilities			
Senior notes		28,118,337	29,264,448
Bank and other borrowings		20,202,734	8,944,606
Corporate bonds		20,437,741	20,402,799
Derivative financial instruments		355,876	–
		69,114,688	58,611,853
Equity			
Share capital and premium		24,868,688	26,126,813
Other reserves	(a)	865,558	(46,808)
Retained earnings	(a)	5,800,796	2,484,160
Total equity		31,535,042	28,564,165
Total equity and non-current liabilities		100,649,730	87,176,018

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2018 and were signed on its behalf.

MO Bin
Director

YANG Ziyang
Director

45 Statement of financial position and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Other reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2016	86,446	1,748,949	1,835,395
Profit for the year	–	3,740,251	3,740,251
Deferred gains on cash flow hedges, net of tax	89,982	–	89,982
Deferred costs of hedging, net of tax	(295,901)	–	(295,901)
Dividends	–	(3,005,040)	(3,005,040)
Employee share schemes			
– value of employee services	44,629	–	44,629
Change in fair value of financial assets at FVOCI, net of tax	28,036	–	28,036
At 31 December 2016	(46,808)	2,484,160	2,437,352
At 1 January 2017	(46,808)	2,484,160	2,437,352
Profit for the year	–	8,698,741	8,698,741
Deferred losses on cash flow hedges, net of tax	(103,806)	–	(103,806)
Deferred gains of hedging, net of tax	750,560	–	750,560
Dividends	–	(5,382,105)	(5,382,105)
Employee share schemes			
– value of employee services	265,268	–	265,268
Change in fair value of financial assets at FVOCI, net of tax	344	–	344
At 31 December 2017	865,558	5,800,796	6,666,354

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries

The following is a list of principal subsidiaries at 31 December 2017, all of these are limited liability companies:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Directly held by the Company:					
Incorporated in the BVI and operates in Mainland China:					
Smart World Development Holdings Ltd.	28 March 2006	USD300	100%	–	Investment holding
Indirectly held by the Company:					
Incorporated in Hong Kong and operates in Hong Kong:					
Country Garden (Hong Kong) Development Company Limited	21 September 2005	HKD1	100%	–	Investment holding
Incorporated in the BVI and operates in Hong Kong:					
Estonia Development Ltd.	21 March 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Angel View International Limited	7 April 2006	USD200	100%	–	Investment holding and rendering of property related sales services
Incorporated in the BVI and operates in Mainland China:					
Falcon Investments Development Ltd.	21 March 2006	USD300	100%	–	Investment holding
United Gain Group Ltd.	28 March 2006	USD200	100%	–	Investment holding
Wise Fame Group Ltd.	28 March 2006	USD300	100%	–	Investment holding
Boavista Investments Limited	7 April 2006	USD200	100%	–	Investment holding
Impreza Group Limited	7 April 2006	USD300	100%	–	Investment holding
Infiniti Holdings Development Limited	7 April 2006	USD300	100%	–	Investment holding
Bright Start Group Limited	19 July 2011	USD1	100%	–	Investment holding
Pure Smart Enterprises Limited	19 July 2011	USD1	100%	–	Investment holding
Top Favor Holding Limited	19 July 2011	USD1	100%	–	Investment holding
Golden Favor Investments Limited	19 July 2011	USD1	100%	–	Investment holding
Power Great Enterprise Limited	10 December 2007	USD1	100%	–	Investment holding
Great Favor Investments Limited	16 July 2013	USD1	100%	–	Investment holding
Silver Dawn Holding Limited	23 January 2014	USD1	100%	–	Investment holding
Tin Spring Limited	15 June 2015	USD1	100%	–	Investment holding
Scenic Reserve Limited	2 October 2015	USD1	100%	–	Investment holding

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Established and operates in Mainland					
China:					
Guangdong Yaokang Investment Co., Ltd. 廣東耀康投資有限公司	20 April 2015	RMB1,200,000,000	100%	–	Investment
Shenyang Shenbeixincheng Yidong Real Estate Co., Ltd. 瀋陽瀋北新城伊東置業有限公司	18 May 2007	RMB750,000,000	100%	–	Property development
Guangdong Giant Leap Construction Co., Ltd. 廣東騰越建築工程有限公司	25 March 1997	RMB5,200,000,000	100%	–	Construction
Shanghai Xinbi Garden Property Development Co., Ltd. 上海新碧房地產開發有限公司	26 August 2015	RMB20,000,000	100%	–	Property development
Dongguan Country Garden Property Development Co., Ltd. 東莞市碧桂園房地產開發有限公司	25 September 2009	RMB666,660,000	90%	10%	Property development
Dongguan Zhuangshi Property Development Co., Ltd. 東莞莊士房地產開發有限公司	9 February 1999	RMB300,000,000	93%	7%	Property development
Dongguan Humen Hongyi Real Estate Development Co., Ltd. 東莞虎門鴻藝房地產開發有限公司	14 July 1999	RMB67,200,000	90%	10%	Property development
Zhongshan City Bilanz Real Estate Development Co., Ltd. 中山市碧朗房地產開發有限公司(i)*	20 January 2017	RMB100,000,000	48%	52%	Property development
Foshan Xin Ya Real Estate Co., Ltd. 佛山信雅房地產有限公司*	29 October 2015	RMB100,000,000	50%	50%	Property development
Foshan Chancheng Country Garden Property Development Co., Ltd. 佛山市禪城區碧桂園房地產開發有限公司	13 November 2009	RMB1,000,000,000	90%	10%	Property development
Foshan Shunde Zhouhua Country Garden Property Development Co., Ltd. 佛山市順德區宙華投資諮詢有限公司	12 November 2012	RMB13,241,966,520	100%	–	Investment consulting
Country Garden Property Co., Ltd. 碧桂園地產集團有限公司	20 April 2015	RMB13,292,986,520	100%	–	Property development
Foshan Shunde Country Garden Property Development Co., Ltd. 佛山市順德區碧桂園物業發展有限公司	2 April 1997	RMB1,387,500,000	100%	–	Property development

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46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Foshan Shunde Longjiang Country Garden Real Estate Co., Ltd. 佛山市順德區龍江碧桂園置業有限公司(i)	3 January 2017	RMB0	91%	9%	Property development
Foshan Gaoming Country Garden Property Development Co., Ltd. 佛山市高明區碧桂園房地產開發有限公司	13 January 2004	RMB1,162,500,000	100%	–	Property development
Foshan Yuankang Property Development Co., Ltd. 佛山源康房地產發展有限公司	29 February 2008	RMB1,310,000,000	94%	6%	Property development
Nanjing Jin Mengdu Property Development Co., Ltd. 南京金夢都房地產開發有限公司	27 September 2005	RMB134,090,000	85%	15%	Property development
Jurong Country Garden Property Development Co., Ltd. 句容碧桂園房地產開發有限公司	12 August 2010	USD564,500,000	100%	–	Property development
Jitian Construction Development (Kunshan) Co., Ltd. 吉田建設開發(昆山)有限公司	10 September 2002	RMB104,256,603	100%	–	Property development
Zengcheng Country Garden Property Development Co., Ltd. 增城市碧桂園物業發展有限公司	22 September 2000	RMB1,448,200,000	100%	–	Property development
Taicang Country Garden Property Development Co., Ltd. 太倉碧桂園房地產開發有限公司*	5 May 2015	RMB700,000,000	43%	57%	Property development
Taiyuan Jun He Run Bi Real Estate Development Co., Ltd. 太原君和潤碧房地產開發有限公司(i)	13 September 2002	RMB0	60%	40%	Property development
Anqing Country Garden Property Development Co., Ltd. 安慶碧桂園房地產開發有限公司	27 September 2007	RMB740,000,000	100%	–	Property development
Anhui Hexian Country Garden Property Development Co., Ltd. 安徽和縣碧桂園房地產開發有限公司	15 May 2007	RMB750,000,000	100%	–	Property development
Shanxi Rongbi Real Estate Development Co., Ltd. 山西融碧房地產開發有限公司(ii)	12 September 2017	RMB10,000,000	51%	49%	Property development
Chachu Country Garden Property Development Co., Ltd. 巢湖市碧桂園房地產開發有限公司	18 December 2006	RMB1,115,200,000	100%	–	Property development
Guangzhou Nansha Economic and Technological Development Zone Country Garden Property Development Co., Ltd. 廣州南沙經濟技術開發區碧桂園物業發展有限公司	2 August 2001	USD253,800,000	100%	–	Property development

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangzhou Fengbi Country Garden Property Development Co., Ltd. 廣州市鳳碧房地產開發有限公司	29 May 2015	RMB1,000,000	85%	15%	Property development
Guangzhou Bihao Country Garden Property Development Co., Ltd. 廣州市碧豪房地產開發有限公司	16 December 2015	RMB1,430,000	70%	30%	Property development
Guangzhou Country Garden Property Development Co., Ltd. 廣州碧桂園物業發展有限公司	30 July 1998	RMB506,000,000	100%	–	Property development
Zhangjiagang Chengdong Country Garden Real Estate Development Co., Ltd. 張家港城東碧桂園房地產開發有限公司(i)	28 December 2016	RMB20,000,000	55%	45%	Property development
Zhangjiagang Chengnan Country Garden Real Estate Development Co., Ltd. 張家港城南碧桂園房地產開發有限公司	26 December 2016	RMB20,000,000	51%	49%	Property development
Huidong Country Garden Real Estate Development Co., Ltd. 惠東碧桂園房地產開發有限公司	23 January 2008	RMB450,000,000	100%	–	Property development
Huizhou Hongye Investment and Development Co., Ltd. 惠州市宏業投資開發有限公司(ii)*	23 September 2004	RMB190,000,000	50%	50%	Property development
Hangzhou Country Garden Jiutai Real Estate Co., Ltd. 杭州碧桂園久泰置業有限公司	14 September 2015	USD136,000,000	94%	6%	Property development
Hangzhou Country Garden Property Development Co., Ltd. 杭州碧桂園房地產開發有限公司	1 April 2011	RMB862,576,465	100%	–	Property development
Wuhan Eco-city Country Garden Investment Co., Ltd. 武漢生態城碧桂園投資有限公司	4 December 2009	RMB500,000,000	55%	45%	Property development
Shantou Country Garden Investment Co., Ltd. 汕頭市碧桂園投資有限公司	6 September 2016	RMB10,000,000	66%	34%	Property development
Shantou Country Garden Property Development Co., Ltd. 汕頭市碧桂園置業有限公司	11 August 2016	RMB10,000,000	94%	6%	Property development
Jiangmen East Coast Country Garden Property Development Co., Ltd. 江門市東岸房地產發展有限公司	13 August 2003	RMB650,000,000	100%	–	Property development

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46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Jiangmen Wuyi Country Garden Property Development Co., Ltd. 江門市五邑碧桂園房地產開發有限公司	28 September 2003	RMB863,000,000	100%	–	Property development
Jiangmen Pengjiang Phoenix Country Garden Real Estate Development Co., Ltd. 江門市蓬江區鳳凰碧桂園房地產開發有限公司	18 July 2016	RMB10,000,000	95%	5%	Property development
Jiangyin Jingyu Property Development Co., Ltd. 江陰景裕房地產開發有限公司	12 April 2013	RMB2,300,000,000	85%	15%	Property development
Shenyang Country Garden Property Development Co., Ltd. 瀋陽市碧桂園房地產開發有限公司	11 January 2007	RMB1,350,000,000	100%	–	Property development
Shenyang Hunnan Xincheng Country Garden Property Development Co., Ltd. 瀋陽渾南新城碧桂園房地產開發有限公司	25 April 2007	RMB1,540,000,000	100%	–	Property development
Shenyang Suigang Baiyun Country Garden Property Development Co., Ltd. 瀋陽穗港白雲房地產投資開發有限公司	15 October 2002	RMB689,801,628	100%	–	Property development
Henan Country Garden Real Estate Co., Ltd. 河南碧桂園置業有限公司	27 August 2015	RMB500,000,000	100%	–	Property development
Taizhou Country Garden Property Development Co., Ltd. 泰州市碧桂園房地產開發有限公司	5 January 2007	RMB548,300,000	100%	–	Property development
Hainan Baolian City (Bo'ao) Real Estate Co., Ltd. 海南寶蓮城(博鰲)置業有限公司*	26 May 2003	RMB61,224,500	43%	57%	Property development
Hainan Green Construction Investment Co., Ltd. 海南綠建投資有限公司(i)	20 November 2015	RMB728,000,000	100%	–	Property development
Hainan Lingshui Country Garden Runda Property & Investment Co., Ltd. 海南陵水碧桂園潤達投資置業有限責任公司*	11 April 2014	RMB200,000,000	49%	51%	Property development
Haikou Country Garden Property Development Co., Ltd. 海口碧桂園置業開發有限公司	1 June 2016	RMB50,000,000	85%	15%	Property development
Shenzhen Country Garden Property Investment Co., Ltd. 深圳市碧桂園房地產投資有限公司	25 August 2015	RMB761,000,000	100%	–	Property development
Qingyuan City Bisheng Real Estate Development Co., Ltd. 清遠市碧盛房地產開發有限公司(i)	9 January 2017	RMB0	86%	14%	Property development

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Wenzhou Country Garden Jiutai Real Estate Co., Ltd. 溫州碧桂園久泰置業有限公司(i)	8 August 2016	RMB80,000,000	95%	5%	Property development
Hubei Country Garden Property Development Co., Ltd. 湖北省碧桂園房地產開發有限公司	13 August 2015	RMB1,000,000,000	100%	–	Property development
Hubei Lianzhi Country Garden Zishanhu Property Development Co., Ltd. 湖北聯置碧桂園梓山湖房地產開發有限公司	29 December 2011	RMB500,000,000	51%	49%	Property development
Liyang Hua Bi Real Estate Development Co., Ltd. 溧陽華碧房地產開發有限公司	19 October 2016	RMB567,731,214	85%	15%	Property development
Chuzhou Bihui Real Estate Development Co., Ltd. 滁州碧輝房地產開發有限公司(i)	23 January 2017	RMB50,000,000	85%	15%	Property development
Wuhu Jinzhi Country Garden Property Development Co., Ltd. 蕪湖晉智房地產開發有限公司	5 November 2007	RMB800,000,000	100%	–	Property development
Tongliao Country Garden Property Development Co., Ltd. 通遼碧桂園房地產開發有限公司	15 October 2007	RMB500,000,000	100%	–	Property development
Zhengzhou Country Garden Xintian Real Estate Co., Ltd. 鄭州碧桂園新田置業有限公司*	3 February 2016	RMB550,204,082	43%	57%	Property development
Foshan Jinzhonghuan Real Estate Co. Ltd. 佛山市金中環房地產有限公司(i)	11 December 2013	RMB10,000,000	100%	–	Property development
Foshan Shunde Country Garden Real Estate Co., Ltd. 佛山市順德區碧桂園房產置業有限公司(i)	10 July 2017	RMB0	100%	–	Property development
Foshan Shunde Daliang Country Garden Property Development Co., Ltd. 佛山市順德區大良碧桂園房地產開發有限公司	11 April 2014	USD40,000,000	100%	–	Property development
Foshan Shunde Jun An Country Garden Property Development Co., Ltd. 佛山市順德區均安碧桂園物業發展有限公司	28 June 2000	RMB10,000,000	90%	10%	Property development
Foshan Shunde Jun An Country Garden Property Co., Ltd. 佛山市順德區均安碧桂園置業有限公司(i)	1 September 2017	RMB5,000,000	51%	49%	Property development
Foshan Shunde Leliu Country Garden Real Estate Development Co., Ltd. 佛山市順德區勒流碧桂園房地產開發有限公司(i)	18 September 2017	RMB0	65%	35%	Property development
Foshan Shunde Guoying Real Estate Co., Ltd. 佛山順德國瀛房地產有限公司*	1 September 2014	RMB196,078,431	46%	54%	Property development

Notes to the Consolidated Financial Statements

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Guangdong Country Garden Real Estate Information Consulting Co., Ltd. 廣東碧桂園房地產資訊諮詢有限公司	26 July 2013	RMB2,000,000	100%	–	Real estate consulting
Foshan Shunde Bijing Electronic Technology Co., Ltd. 佛山市順德區碧晶電子科技有限公司	19 November 2008	RMB2,000,000	100%	–	Electronic hardware development
Foshan Shunde Biri Security Engineering Co., Ltd. 佛山市順德區碧日安防工程有限公司	8 July 2008	RMB8,000,000	100%	–	Construction
Foshan Shunde Longshun Construction Project Management Co., Ltd. 佛山市順德區龍順建築項目管理有限公司 ⁽ⁱ⁾	14 March 2017	RMB67,959,000	51%	49%	Construction
Guangdong Biri Science & Technology Co., Ltd. 廣東碧日科技有限公司	6 March 2014	RMB10,000,000	100%	–	Biomass energy development
Guangdong Longyue Construction Engineering Co., Ltd. 廣東龍越建築工程有限公司	14 April 2011	RMB300,000,000	100%	–	Construction
Guangdong Tengan Mechanical and Electrical Installation Engineering Co., Ltd. 廣東騰安機電安裝工程有限公司	30 September 2004	RMB200,000,000	100%	–	Construction
Foshan Fengxi Food Co., Ltd. 佛山市鳳禧食品有限公司	18 March 2016	RMB5,000,000	100%	–	Food sales
Guangdong Country Garden Property Service Co., Ltd. 廣東碧桂園物業服務股份有限公司	19 April 2004	RMB360,000,000	92%	8%	Property management
Guangdong Excellent Landscape design Engineering Co., Ltd. 廣東卓越景觀設計工程有限公司	24 July 2013	RMB10,000,000	100%	–	Landscape design
Foshan Bihan Apartment Management Co., Ltd. 佛山碧函公寓管理有限公司 ⁽ⁱ⁾	28 August 2017	RMB10,000,000	100%	–	Apartment Management
Foshan Juzhele Real Estate Agent Co., Ltd. 佛山市居者樂房地產代理有限公司	30 May 2016	RMB0	100%	–	Real estate consulting

46 Particulars of principal subsidiaries (Continued)

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Proportion of equity interest held by the Group	Proportion of ordinary shares held by non-controlling interests	Principal activities
Yangxi Biyue Property Development Co., Ltd. 陽西碧月房地產開發有限公司	19 September 2016	RMB600,000,000	54%	46%	Property development
Suizhou Country Garden Property Development Co., Ltd. 隨州碧桂園房地產開發有限公司	31 August 2007	RMB580,000,000	100%	–	Property development
Shaoguan Country Garden Property Development Co., Ltd. 韶關市碧桂園房地產開發有限公司	5 June 2007	RMB750,000,000	100%	–	Property development
Shaoguan City Bihong Real Estate Investment Development Co., Ltd. 韶關市碧鴻房地產投資開發有限公司(i)*	22 December 2016	RMB820,370,722	43%	57%	Property development
Shaoguan Shunhong Property Development Co., Ltd. 韶關市順宏房地產開發有限公司	12 July 2006	RMB747,800,000	100%	–	Property development
Heshan Country Garden Property Development Co., Ltd. 鶴山市碧桂園物業發展有限公司	22 June 2006	RMB963,000,000	100%	–	Property development
Zengcheng Country Garden Phoenix City Hotel Co., Ltd. 增城市碧桂園鳳凰城酒店有限公司	13 January 2004	RMB500,700,000	100%	–	Hotel operation
Established and operates overseas:					
BGY North Ryde Pty Ltd	1 October 2013	AUD1	100%	–	Property development
BGY Cityview Holdings LLC (i)*	6 July 2017	USD200,000,000	47%	53%	Property development
Country Garden Danga Bay Sdn. Bhd.	16 October 2012	RM150,000,100	100%	–	Property development
Country Garden Real Estate Sdn. Bhd.	16 December 2013	RM1,000,000	100%	–	Property development

(i) These subsidiaries are newly established or acquired by the Group during the year.

* As the Group has the rights to variable returns from its involvement with those companies, and has the ability to affect those returns through its majority vote position of the board of directors of these companies and the right to determine the budget, pricing and promotion strategies of these companies, the Group has control over these companies and these companies are thus accounted for as subsidiaries of the Group.

The English names of the Mainland China companies referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

Notes to the Consolidated Financial Statements

47 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and chief executive officer is set out below:

For the year ended 31 December 2017:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	190	-	14	10,204
Executive directors						
Ms. YANG Huiyan	-	6,000	-	-	48	6,048
Mr. MO Bin*	-	6,000	27,828	-	67	33,895
Mr. ZHU Rongbin (resigned on 1 June 2017)	-	2,292	19,526	-	40	21,858
Mr. WU Jianbin (resigned on 1 April 2017)	-	1,250	3,260	-	106	4,616
Ms. YANG Ziying	-	4,000	220	-	48	4,268
Mr. SU Rubo (resigned on 1 April 2017)	-	1,000	865	190	12	2,067
Mr. OU Xueming (resigned on 1 April 2017)	-	1,000	722	729	12	2,463
Mr. YANG Zhicheng	-	4,000	18,155	5,075	43	27,273
Mr. XIE Shutai (resigned on 2 March 2018)	-	4,000	2,361	190	86	6,637
Mr. SONG Jun	-	4,000	31,945	5,670	86	41,701
Mr. LIANG Guokun	-	4,000	25,266	-	43	29,309
Mr. SU Baiyuan	-	4,000	37,836	1,188	12	43,036
Non-executive director						
Mr. CHEN Chong	-	370	-	-	-	370
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Ms. HUANG Xiao (resigned on 1 April 2017)	60	-	-	-	-	60
Mr. MEI Wenjue (resigned on 2 March 2018)	240	-	-	-	-	240
Mr. YEUNG Kwok On	240	-	-	-	-	240
	1,770	51,912	168,174	13,042	617	235,515

* Chief executive officer of the Company

i Mr. ZHU Rongbin resigned on 1 June 2017 as executive director of the Company.

ii Mr. WU Jianbin, Mr. SU Rubo, and Mr. OU Xueming resigned on 1 April 2017 as executive director of the Company.

iii Ms. HUANG Xiao resigned on 1 April 2017 as independent non-executive director of the Company.

iv Mr. XIE Shutai resigned on 2 March 2018 as executive director of the Company, and Mr. MEI Wenjue resigned on 2 March 2018 as independent non-executive director of the Company.

47 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2016:

Name of director	Fees RMB'000	Salary (Note (i)) RMB'000	Discretionary bonuses RMB'000	Other benefits and share-based compensation expenses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Total RMB'000
Chairman						
Mr. YEUNG Kwok Keung	-	10,000	-	-	-	10,000
Executive directors						
Ms. YANG Huiyan	-	6,000	-	-	41	6,041
Mr. MO Bin*	-	6,000	-	-	58	6,058
Mr. ZHU Rongbin	-	5,500	10	-	42	5,552
Mr. WU Jianbin	-	5,000	316	-	267	5,583
Ms. YANG Ziying	-	4,000	16	-	41	4,057
Mr. SU Rubo	-	4,000	203	190	30	4,423
Mr. OU Xueming	-	4,000	-	729	30	4,759
Mr. YANG Zhicheng	-	4,000	14,193	3,186	40	21,419
Mr. XIE Shutai	-	4,000	529	-	75	4,604
Mr. SONG Jun	-	4,000	19,603	1,746	76	25,425
Mr. LIANG Guokun	-	4,000	-	-	38	4,038
Mr. SU Baiyuan	-	4,000	-	-	11	4,011
Non-executive director						
Mr. CHEN Chong (appointed on 8 December 2016)	-	21	-	-	-	21
Independent non-executive directors						
Mr. LAI Ming, Joseph	330	-	-	-	-	330
Mr. SHEK Lai Him, Abraham	330	-	-	-	-	330
Mr. TONG Wui Tung, Ronald	330	-	-	-	-	330
Mr. HUANG Hongyan	240	-	-	-	-	240
Ms. HUANG Xiao	240	-	-	-	-	240
Mr. MEI Wenjue	240	-	-	-	-	240
Mr. YEUNG Kwork On	240	-	-	-	-	240
	1,950	64,521	34,870	5,851	749	107,941

* Chief executive officer of the Company

Mr. CHEN Chong was appointed on 8 December 2016 as non-executive director of the Company.

Note (i): Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings

Notes to the Consolidated Financial Statements

47 Benefits and interests of directors *(Continued)*

(b) Directors' retirement benefits

During the year ended 31 December 2017, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries (2016: nil).

(c) Directors' termination benefits

During the year ended 31 December 2017, no payments to the directors of the Company as compensation for the early termination of the appointment (2016: nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay to any third party for making available directors' services (2016: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2017, there were no loans, quasi-loans or other dealings in favour of directors of the Company, controlled bodies corporate and connected entities with such directors (2016: nil).

(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed above, 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 (2016: nil).

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