POWERLONG
宝龙

POWERLONG REAL ESTATE HOLDINGS LIMITED
寶龍地產控股有限公司

(於開曼群島註冊成立之有限責任公司)

(股份代號：1238)

海外監管公佈

本海外監管公佈乃根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第13.10B條而發表。

茲提述本公司日期為2019年7月16日就發行票據而發表的兩份公佈(「**該等公佈**」)。除另有界定外，本公佈所用的全部詞彙與該等公佈所界定者具有相同涵義。

董事會欣然宣佈，購買協議項下所有先決條件已獲達成，而發行票據已於2019年7月23日完成。

請參閱隨附有關票據的發售通函(「**發售通函**」)，發售通函已於2019年7月25日同步在新交所網站刊登。

在聯交所網站登載發售通函僅為促進向香港投資者平等發佈信息以及遵守上市規則第13.10B條，概無任何其他目的。發售通函並不構成向任何司法權區的公眾人士要約出售任何證券的招股章程、通知、通函、冊子、公佈或文件，亦非邀請或招攬公眾人士作出收購、認購或購買任何證券的要約，且並非刻意邀請或招攬公眾人士作出收購、認購或購買任何證券的要約。發售通函不得視為勸誘認購或購買本公司任何證券，亦不擬作出有關勸誘。不應根據發售通函所載資料作出任何投資決定。

承董事會命
寶龍地產控股有限公司
主席
許健康

香港，2019年7月25日

於本公佈日期，執行董事為許健康先生、許華芳先生、肖清平先生、施思妮女士及張洪峰先生；非執行董事為許華芬女士；及獨立非執行董事為魏偉峰博士、梅建平博士及丁祖昱博士。

IMPORTANT NOTICE

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

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

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

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

The attached offering circular is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA").

The communication of the attached offering circular 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. 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 fall 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 to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Securities described in the attached offering circular 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 offering circular or any of its contents.

PRIIPS Regulation/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 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Section 309B(1) Notification — The Company 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).

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

You are reminded that this offering circular is confidential and has been delivered to you on the basis that you are a person into whose possession this offering circular 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 or disclose the contents of this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction. This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, None of Merrill Lynch (Asia Pacific) Limited, CEB International Capital Corporation Limited, CLSA Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited and UBS AG Hong Kong Branch, incorporated in Switzerland with limited liability (collectively, the "Joint Lead Managers") or any person who controls any of the Joint Lead Managers or any director, officer, employee or agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

STRICTLY CONFIDENTIAL

US$170,000,000

POWERLONG
宝 龙

Powerlong Real Estate Holdings Limited
寶龍地產控股有限公司

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

6.95% SENIOR NOTES DUE 2023
Issue Price: 98.974%

The 6.95% Senior Notes due 2023 (the "Notes") will bear interest from July 23, 2019 at 6.95% per annum payable semi-annually in arrears on January 23 and July 23 of each year, commencing January 23, 2020.

The Notes are general obligations of the Company, guaranteed (the "Subsidiary Guarantees") by its existing subsidiaries (the "Subsidiary Guarantors") other than (i) those organized under the laws of the PRC, (ii) certain other subsidiaries that are guaranteeing the Notes (the "JV Subsidiary Guarantees") on a limited recourse basis (the "JV Subsidiary Guarantors") and (iii) certain other subsidiaries specified in the "Description of the Notes".

At any time prior to July 23, 2021, 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 Notes plus a premium as set forth in this offering circular, and accrued and unpaid interest, if any, to (but not including) the redemption date. We may at our option redeem the Notes, in whole or in part, on or after July 23, 2021 at the redemption prices set forth in this offering circular plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to July 23, 2021, we may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company at a redemption price of 106.95% of the principal amount of the applicable Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. No later than 30 days following a Change of Control Triggering Event (as defined in the "Description of the Notes"), 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 (but not including) the date of repurchase.

The Notes will (1) are general obligations of the Company; (2) rank senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (3) rank at least *pari passu* in right of payment against the Company with respect to the First 2021 Notes, the 2020 Notes, the 2017 Facility, the Second 2021 Notes, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and all unsecured, unsubordinated indebtedness of the Company (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); (4) be effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and (5) be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined in the "Description of the Notes"). However, applicable law may limit the enforceability of the Subsidiary Guarantees, the JV Subsidiary Guarantees and the pledge of any collateral. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 188.

Investing in the Notes involves significant risks. See "Risk Factors" beginning on page 14.

Approval in-principle has been received 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Notes. 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.

The Notes, the Subsidiary Guarantees and the JV 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. The Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see "Transfer Restrictions."

The Notes have been rated B2 by Moody's Investors Service, Inc. ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC or its local counterparts ("NDRC") on September 14, 2015 which came into effect on the same day, the Company has registered the issuance of the Notes with the NDRC and obtained a certificate from NDRC on December 12, 2018, as extended by a certificate of extension dated March 5, 2019 evidencing such registration and undertakes to provide the requisite information on the issuance of the Notes to the NDRC within 10 business days after the issue date of the Notes.

It is expected that the delivery of the Notes will be made on or about July 23, 2019 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). See "Plan of Distribution."

Joint Lead Managers and Joint Bookrunners
(alphabetically)

Bank of America Merrill Lynch | **CEB International** | **CLSA**

CMB International | **Credit Suisse** | **Guotai Junan International** | **UBS**

The date of this offering circular is July 16, 2019

TABLE OF CONTENTS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY NOTE OFFERED HEREBY 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 CIRCULAR 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 CIRCULAR OR THAT THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY TIME AFTER THAT DATE.

This offering circular is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EEA").

The communication of this offering circular 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. 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 fall 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 to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the United Kingdom, the Securities described in this offering circular are only available to, and any investment or investment activity to which this offering circular 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 circular or any of its contents.

PRIIPS Regulation/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 2002/92/EC (the Insurance Mediation Directive), as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the "PRIIPs

Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

Section 309B(1) Notification — The Company 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).

IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH (ASIA PACIFIC) LIMITED, CEB INTERNATIONAL CAPITAL CORPORATION LIMITED, CLSA LIMITED, CMB INTERNATIONAL CAPITAL LIMITED, CREDIT SUISSE (HONG KONG) LIMITED, GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED AND UBS AG HONG KONG BRANCH, INCORPORATED IN SWITZERLAND WITH LIMITED LIABILITY (COLLECTIVELY, THE "INITIAL PURCHASERS") AND THEIR RESPECTIVE AFFILIATES, AS STABILIZING MANAGER ON BEHALF OF THE INITIAL PURCHASERS, OR ANY PERSON ACTING FOR THEM, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS AND NOT FOR OR ON BEHALF OF THE ISSUER.

You should rely only on the information contained in this offering circular. We have not authorized anyone to provide you with information that is different from that contained in this offering circular. We are offering to sell, and seeking offers to buy, the Notes only in jurisdictions where offers and sales are permitted. The information contained in this offering circular is accurate only as of the date of this offering circular, regardless of the time of delivery of this offering circular or any sale of the Notes. Our business, financial condition, results of operations and prospects may have changed since that date.

This offering circular is highly confidential. This offering circular is personal to the offeree to whom it has been delivered and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering circular before making a decision whether to purchase the Notes. You must not use this offering circular for any other purpose, or disclose any information in this offering circular to any other person.

We have prepared this offering circular, 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" below.

No representation or warranty, express or implied, is made by the Initial Purchasers, Citicorp International Limited, as Trustee (the "Trustee") and Security Agent, Citibank, N.A., London Branch, as Registrar, Paying Agent and Transfer Agent (collectively the Security Agent, the Registrar, the Transfer Agent and the Paying Agent, the "Agents") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee nor the Agents has independently verified any of the information contained in this offering circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee nor the Agents or any of their respective affiliates or advisers accepts any responsibility for the contents of this offering circular or for any other statement in connection with the issue and offering of the Notes made or purported to be made by the Initial Purchasers or on their behalf. Each of the Initial Purchasers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which might otherwise have in respect of this offering circular or any such statement.

None of the Initial Purchasers, the Trustee nor the Agents or any of their respective affiliates or advisors undertakes to review the financial condition or affairs of the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors during the life of the arrangements contemplated by this offering circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Initial Purchasers or their respective affiliates.

Each person receiving this offering circular 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 nor the Agents or any person affiliated with the Initial Purchasers, the Trustee nor 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, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering circular and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering circular 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 circular, see "Transfer Restrictions" and "Plan of Distribution."

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 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.

This offering circular 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 circular. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular 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.

We reserve the right to withdraw the offering of the 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 the 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 circular 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" and words of similar import, we are referring to Powerlong Real Estate Holdings Limited itself, or to Powerlong Real Estate Holdings Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or the Trustee or the Agents or their respective directors and advisors, and neither us, the Initial Purchasers, the Trustee, the Agents nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular 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.

The statistics set forth in this offering circular relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Initial Purchasers, the Trustee and the Agents do not make any representation as to the accuracy of such statistics, which 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 this offering circular, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" 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"); and all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China, or the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering circular, 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 circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

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

References to the "2015 Notes" are to our US$200.0 million 13.75% Senior Notes due 2015 issued pursuant to an indenture dated September 16, 2010, as supplemented by the supplemental indentures dated January 20, 2014 and July 16, 2014. We redeemed the 2015 Notes in full in October 2014.

References to the "2016 Notes" are to our RMB800.0 million 9.50% Senior Notes due 2016 issued pursuant to an indenture dated May 27, 2013, as supplemented by the supplemental indentures dated January 20, 2014, July 16, 2014 and December 12, 2014. We repaid the 2016 Notes at maturity in May 2016.

References to the "2017 Notes" are to our RMB1,500.0 million 10.75% Senior Notes due 2017 issued pursuant to an indenture dated September 18, 2014, as supplemented by the supplemental indentures dated September 15, 2016 and July 19, 2017, respectively. We repaid the 2017 Notes at maturity in September 2017.

References to the "First 2018 Notes" are to our US$250.0 million 11.25% Senior Notes due 2018 issued pursuant to an indenture dated January 25, 2013, as supplemented by the supplemental indentures dated January 20, 2014, July 16, 2014 and December 12, 2014. We redeemed the First 2018 Notes in full on January 25, 2016.

References to the "2018 Notes" are to our US$200.0 million 7.625% Senior Notes due 2018 issued on November 26, 2015 and an additional US$150.0 million aggregate principal amount of 7.625% Senior Notes due 2018 issued on November 27, 2017 pursuant to an indenture dated November 26, 2015, as supplemented by the supplemental indentures dated September 15, 2016 and July 19, 2017, respectively. See "Description of Other Material Indebtedness — 2018 Notes."

References to the "2020 Notes" are to our US$200.0 million 5.95% Senior Notes due 2020 issued on July 19, 2017 and an additional US$100.0 million and US$250.0 million aggregate principal amount of 5.95% senior notes due 2020 issued on August 2, 2017 and August 15, 2018, respectively, pursuant to an indenture dated July 19, 2017. See "Description of Other Material Indebtedness — 2020 Notes."

References to the "First 2021 Notes" are to our US$200.0 million 4.875% Senior Notes due 2021 issued pursuant to an indenture dated September 15, 2016, as supplemented by the supplemental indenture dated July 19, 2017. See "Description of Other Material Indebtedness — First 2021 Notes."

References to the "Second 2021 Notes" are to our US$350.0 million 6.95% Senior Notes due 2021 issued pursuant to an indenture dated April 17, 2018. See "Description of Other Material Indebtedness — Second 2021 Notes."

References to the "Third 2021 Notes" are to our US$200.0 million 9.125% Senior Notes due 2021 issued pursuant to an indenture dated January 14, 2019. See "Description of Other Material Indebtedness — Third 2021 Notes."

References to the "2016 Facility" are to the facility of up to US$120.0 million pursuant to a facility agreement dated May 20, 2016 (as amended and supplemented from time to time) (the "2016 Facility Agreement") entered into by among others, the Company and the lenders set forth therein. We repaid the 2016 Facility at maturity in May 2019.

References to the "2017 Facility" are to the facility of up to US$150.0 million (with an accordion feature of up to US$200,000,000 equivalent) pursuant to a facility agreement dated August 29, 2017 (the "2017 Facility Agreement") entered into by, among others, the Company and the lenders set forth therein.

References to "2018 Facility" are to the facility of HK$200.0 million (US$25.6 million) pursuant to a facility agreement dated April 18, 2018 (the "2018 Facility Agreement") entered into by the Company and the lender named therein.

References to "Second 2018 Facility" are to the facility of HK$824.0 million (US$105.5 million) (with an accordion feature of up to US$200,000,000 equivalent) pursuant to a facility agreement dated July 5, 2018 (as amended and supplemented from time to time) (the "Second 2018 Facility Agreement") entered into by, among others, the Company, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia Limited and Tai Fung Bank.

References to "2019 Facility" are to the facility of HK$514,800,000 and US$40,000,000 (with an accordion feature of up to US$200,000,000) pursuant to a facility agreement dated July 8, 2019 (as amended and supplemented from time to time) (the "2019 Facility Agreement") entered into by, among others, the Company, CMB Wing Lung Bank Limited, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited.

Reference to the "Convertible Bonds" are to our HK dollar zero coupon convertible bonds due 2019 issued pursuant to a trust deed dated February 13, 2018. We repaid the Convertible Bonds at maturity in February 2019.

References to "Shanghai Powerlong" are to Shanghai Powerlong Industrial Development Co., Ltd., one of our wholly owned subsidiaries incorporated in the PRC.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.01, in our share capital.

In this offering circular, unless the context otherwise requires, all references to "affiliate" are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, or the Listing Rules.

In this offering circular, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

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

References to the "Hoi family" in this offering circular are to Hoi Kin Hong, Hoi Wa Fong, Hoi Wa Fan and Shih Sze Ni Cecilia.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and GFA information presented in this offering circular represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

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

FORWARD-LOOKING STATEMENTS

This offering circular includes "forward-looking statements." All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "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:

- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the industry outlook generally;
- future developments in and the performance of the property market in the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government's specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange control and rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; 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 circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

"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 as approved by the relevant PRC government authority or in respect of which application has been made for approval.
"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 grant confirmation agreement"	a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process.
"land use right 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.
"land grant or transfer document"	a land grant contract, land grant confirmation agreement or land use right transfer agreement.
"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.ft.".	square feet.
"sq.m."	square meter.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated in the Cayman Islands with limited liability, and each Subsidiary Guarantor or JV Subsidiary Guarantor is also incorporated or may be incorporated, as the case may be, outside the United States, such as in the Cayman Islands, the British Virgin Islands (the "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 all of 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 of the PRC or Hong Kong), 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 JV Subsidiary Guarantors or such directors and officers or to enforce against us or any of the Subsidiary Guarantors or JV Subsidiary Guarantors or such directors and officers judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

We, each of the Subsidiary Guarantors and each of the JV Subsidiary Guarantors expect to appoint Cogency Global Inc. as our and their respective agent to receive service of process with respect to any action brought against us, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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.

We have been advised by our Cayman Islands legal adviser, Maples and Calder (Hong Kong) LLP, that the courts of the Cayman Islands are unlikely (i) to recognise or enforce against the judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognise and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

We have been advised by our BVI legal adviser, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment obtained against any Subsidiary Guarantor incorporated in the BVI in the courts of the United States, for a definite sum, may be treated by the courts of the BVI as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

(a) the foreign court issuing the judgment had jurisdiction in the matter and we either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

(b) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations;

(c) in obtaining judgment there was no fraud on the part of the person in whose favour judgment was given or on the part of the foreign court;

(d) recognition or enforcement of the judgment in the BVI would not be contrary to public policy; and

(e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

(a) was obtained by fraud;

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

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

(d) is for penal damages; or

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

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

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 circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

We are a leading property developer in China specializing in the development and operation of high-quality, large-scale, integrated commercial and residential complexes. Our existing property projects are generally located in prime positions of fast-growing cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province, Zhejiang Province, Hainan Province and Sichuan Province, as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality. We intend to focus our expansion in property development operations in cities in China that we believe have high growth potential. Our shares have been listed on the main board of the Hong Kong Stock Exchange since October 2009 and our market capitalization was approximately HK$18.4 billion as of July 11, 2019.

Our business model sets us apart from many property developers in China. We focus more on owning and operating commercial properties, and our strategy is to sell all the residential properties and a portion of the commercial properties that we develop to generate cash flow for our business operations. We retain ownership of a significant portion of our retail properties for long-term investment to generate recurring rental income and capture potential capital appreciation. We believe our business model allows us to diversify our revenue sources, generate steady recurring revenue and reduce our reliance on a particular sector of the real estate market. Our strategy going forward will generally continue to follow our current practice with respect to properties for sale and properties to be retained for investment.

We focus primarily on fast-growing, emerging cities or districts in the Yangtze River Region, and have expanded our business substantially into the Bohai Region, the Central China Region and the West Strait Region. Our projects are primarily large-scale integrated commercial and residential complexes that are among the largest integrated commercial and residential projects in the cities or districts where they are located. The scale of our integrated commercial and residential complexes, and the enhanced lifestyles, services and other benefits they bring to the surrounding communities, means that our developments typically have support and cooperation from local governments on city planning, design and the land acquisition processes. We believe that these factors help us to acquire prime sites for our projects at relatively low cost and give our projects a competitive advantage.

Our main property development projects are branded "Powerlong Plaza", and are integrated commercial and residential complexes, typically with a total GFA ranging between 200,000 and 750,000 square meters each. The residential units in these projects target the end-user market, and the retail portions of the projects are designed to enhance the living environment for residents and other members of the surrounding community by providing easy access to staple services such as supermarkets, department stores, restaurants and fast food outlets, personal care services and movie theatres and other entertainment. As of December 31, 2018, we had developed, were developing, were holding for future development a total of 114 property projects, and we were in various stages of negotiations and planning with a number of other city governments to develop similar projects in other cities. As of the same date, we also operated and managed three property projects not owned by us.

We report our revenue under the following segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. For the years ended December 31, 2016, 2017 and 2018, property development remained our key revenue driver.

Property Development. As of December 31, 2018, we owned and operated 114 projects which are at different phases of development. As of December 31, 2018, we had 34 fully completed projects, among which six are located in Jiangsu Province, seven in Fujian Province, six in Shandong Province, three in Zhejiang Province, one in Henan Province, one in Anhui Province and 10 in Shanghai Municipality. We had 80 projects under development or held for future development, among which six are located in Shanghai Municipality, 19 in Jiangsu Province, 30 in Zhejiang Province, nine in Fujian Province, five in Shandong Province, five in Tianjin Municipality, one in Anhui Province, two in Henan Province, one in Chongqing Municipality, one in Hainan Province and one in Sichuan Province.

Property Investment. As of December 31, 2018, we held and operated completed investment properties, mainly shopping malls, which are mainly located at Shanghai Municipality, Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province, Hangzhou in Zhejiang Province, Fuzhou, Xiamen and Quanzhou (including Anxi and Jinjiang) in Fujian Province, Yantai (including Laishan and Penglai), Tai'an and Qingdao (including Chengyang, Jiaozhou, Licang and Jimo) in Shandong Province, Zhengzhou, Luoyang and Xinxiang in Henan Province, Bengbu and Fuyang in Anhui Province, and Chongqing Municipality.

Property Management. We provide after-sales property management services to the households of each project developed by us through our wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services. We also operate and manage three properties which are not owned by us.

Hotel Development. As of December 31, 2018, we owned a total of 17 hotels Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province and Anhui Province. Nine of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining eight are operated by us.

The total GFA of properties we delivered in 2016, 2017 and 2018 was 1,179,029 square meters, 1,446,455 square meters and 1,420,718 square meters, respectively. We intend to retain an increasing portion of our retail properties for recurring rental income and for capital appreciation and to sell our residential properties for cash flow. Our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties. For the years ended December 31, 2016, 2017 and 2018, our revenue from sales of properties was RMB12,530.0 million, RMB13,301.9 million and RMB16,667.4 million, respectively, representing approximately 87.6%, 85.3% and 85.1%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, we had a total leasable GFA of 2,531,984 square meters, 2,692,556 square meters and 2,856,744 square meters, respectively. For the years ended 2016, 2017 and 2018, our income from property investment was RMB599.6 million, RMB856.2 million and RMB1,123.6 million, respectively, representing approximately 4.2%, 5.5% and 5.7%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, our income from property management services was RMB791.2 million, RMB947.9 million and RMB1,125.1 million, respectively, representing approximately 5.5%, 6.1% and 5.7%, respectively, of our total revenue.

Our revenue for the years ended December 31, 2016, 2017 and 2018 was RMB14,295.6 million, RMB15,592.6 million and RMB19,593.8 million, respectively, and our EBITDA was RMB5,187.9 million, RMB6,148.9 million and RMB8,020.0 million, respectively.

RECENT DEVELOPMENTS

Acquisition of Land Use Rights to Land Parcels in the PRC

On April 24, 2019, our indirect subsidiary, Shanghai Pengduo Industrial Development Co., Ltd (上海鵬鐸實業發展有限公司), acquired the land use right to a land parcel in Taizhou City, Zhejiang Province, the PRC, for a consideration of approximately RMB1,790 million (US$260.3 million). The estimated total GFA of the land parcel is approximately 272,476 sq.m. We intend to develop about 70 of the land parcel into residential properties for sale and the other 30 of the land parcels into commercial properties for sale and investment.

On April 9, 2019, our indirect subsidiaries, Shaoxing Heqiao Juhang Real Estate Development Co., Ltd. (紹興柯橋聚杭房地產開發有限公司) acquired the land use rights to a land parcel in Shaoxing City, Zhejiang Province, the PRC, for a total consideration of approximately RMB759.9 million (US$110.5 million). The estimated total GFA of the land parcels is approximately 275,722 sq.m. We intend to develop both residential and commercial properties on the land parcel.

On April 26, 2019, our indirect subsidiary, Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd. (浙江寶龍星匯企業管理有限公司), together with Hangzhou Metro Real Estate Development Co., Ltd (杭州市地鐵置業有限公司), a third party, jointly acquired the land use right to a land parcel in Hangzhou City, Zhejiang Province, the PRC, for a consideration of approximately RMB664 million (US$96.6 million). The estimated total GFA of the land parcel is approximately 125,961 sq.m. We intend to develop about 60 of the land parcel into residential properties for sale and the other 40 of the land parcels into commercial properties for investment.

Third 2021 Notes

On January 14, 2019, we issued US$200,000,000 aggregate principal amount of 9.125% senior notes due 2021. See "Description of Other Material Indebtedness — Third 2021 Notes".

2019 Facility

On July 8, 2019, we entered into a facility agreement, as amended and supplemented from time to time (the "2019 Facility") with, among others, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arranger, bookrunner and the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK$514.8 million (US$65.7 million) and US$40.0 million (with an accordion feature of up to US$200,000,000 equivalent). See "Description of Other Material Indebtedness — 2019 Facility."

Other Indebtedness

On January 21, 2019, Shanghai Powerlong issued 5.85% 270-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

On March 5, 2019, Shanghai Powerlong issued 7.20% two-year corporate bonds (medium-term commercial paper) with an aggregate principal amount of RMB1,000.0 million at 100% of the face value.

On April 1, 2019, Shanghai Powerlong completed the public offering of 7.20% corporate bonds specialized in rental housing (Tranche 1), with an aggregate principal amount of RMB300.0 million.

On April 24 and 25, 2019, Shanghai Powerlong issued 5.72% the second tranche of 5.72% 240-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

OUR COMPETITIVE STRENGTHS

- Proven standardized development model
- High quality and well-diversified land bank and portfolio
- Strong contracted sales provide ample operational flexibility
- Strong recurring income and established tenants network
- Proven ability to secure land at low cost
- Experienced management team and recognized brand value

OUR BUSINESS STRATEGIES

- Strategic commercial property projects to generate stable recurring income and product positioning
- Achieve further geographical diversification in China
- Continue to actively monitor and manage capital needs
- Continue to develop standardized product lines
- Standardize and improve operation management

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering circular. For a more detailed description of the Notes, see "Description of the Notes." Terms used in this summary and not defined shall have the same meanings given to them in Description of the Notes.

Issuer	Powerlong Real Estate Holdings Limited (the "Company")
Notes Offered	US$170,000,000 aggregate principal amount of 6.95% Senior Notes due 2023 (the "Notes").
Offering Price	98.974% of the principal amount of the Notes.
Maturity Date	July 23, 2023
Interest	The Notes will bear interest from July 23, 2019 at the rate of 6.95% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 23 and July 23 of each year, commencing January 23, 2020.
Ranking of the Notes	The Notes:

- are general obligations of the Company;
- are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank and will rank at least *pari passu* in right of payment with the 2020 Notes, the 2017 Facility, the First 2021 Notes, the Second 2021 Notes, the Second 2018 Facility, the Third 2021 Notes, 2019 Facility and all unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";
- are effectively subordinated to any secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	Subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral", the Notes will be secured by the Collateral and will: • be entitled to a first priority Lien on the Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes, (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes; (v) the lenders under the Second 2018 Facility; (vi) the holders of the Third 2021 Notes; (vii) the lenders under the 2019 Facility and (viii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness; • rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and • rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors to the extent of the Collateral charged by each Subsidiary Guarantor Pledgor 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, and interest on, and all other amounts payable under, the Notes. A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes — Release of the Subsidiary Guarantees and JV Subsidiary Guarantees." The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than (i) those Restricted Subsidiaries organized under the laws of the PRC, (ii) certain other subsidiaries specified in "Description of the Notes and (iii) the Unrestricted Subsidiaries." In addition, the Company may designate any Subsidiary organized outside the PRC as a Non-Guarantor Subsidiary, subject to the limitations described below under "Other Non-Guarantor Subsidiaries". All of the initial Subsidiary Guarantors are holding companies that do not have significant operations. Any future Restricted Subsidiary, as defined under "Description of the Notes — Certain Definitions" (other than subsidiaries organized under the laws of the PRC), will provide a guarantee of the Notes as soon as practicable after becoming a Restricted Subsidiary.
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 unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first priority Lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis with (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes, (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes, (v) the lenders under the Second 2018 Facility; (vi) the holders of the Third 2021 Notes; (vii) the lenders under the 2019 Facility and (viii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness; 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).

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

JV Subsidiary Guarantees . . A JV Subsidiary Guarantee is required to be delivered by a Subsidiary Guarantor and the Company if the Company wishes to release such Subsidiary Guarantor from its Subsidiary Guarantee following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor. The initial JV Subsidiary Guarantors are Baohui Real Estate (Hong Kong) Holdings Limited, Powerlong Golden Wheel Coral Company Limited, Powerlong Golden Wheel International Famous Limited and Powerlong Xingchuang (Hong Kong) Limited. The JV Subsidiary Guarantee of the JV Subsidiary Guarantor:

- is a general obligation of such JV Subsidiary Guarantor;

- is limited as to enforceability to the JV Entitlement Amount (as defined in the "Description of the Notes");

- is effectively subordinated to the secured obligations of such JV Subsidiary Guarantor to the extent of the value of the assets serving as security therefor;

- subject to the limitation to the JV Entitlement Amount, is senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

	• subject to the limitation to the JV Entitlement Amount, ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law). The Company may also deliver a JV Subsidiary Guarantee instead of a Subsidiary Guarantee on substantially similar conditions for certain Restricted Subsidiaries that are established after the Original Issue Date. As of the date of this offering circular, we have three JV Subsidiary Guarantors.
Other Non-Guarantor Subsidiaries	The Company may designate certain Subsidiaries organized outside the PRC that are Restricted Subsidiaries as "Other Non-Guarantor Subsidiaries", which are not required to guarantee the Notes, provided the Consolidated Assets of all Other Non-Guarantor Subsidiaries do not account for more than 20% of Total Assets.
Intercreditor Agreement	The Company, the Subsidiary Guarantor Pledgors, the Security Agent, 2015 Notes Trustee on behalf of, among others, the holders of the 2015 Notes entered into an intercreditor agreement dated March 9, 2011 (as supplemented by the accession deeds set out below the "Intercreditor Agreement"). The 2015 Notes were redeemed in October 2014. The First 2021 Notes Trustee on behalf of the holders of the First 2021 Notes, the 2020 Notes Trustee on behalf of the holders of the 2020 Notes, the agent on behalf of the finance parties of the 2017 Facility, the Second 2021 Notes Trustee on behalf of the holders of the Second 2021 Notes, the agent on behalf of the finance parties of the Second 2018 Facility, the Third 2021 Notes Trustee on behalf of the holders of the Third 2021 Notes and the agent on behalf of the finance parties of the 2019 Facility each executed accession deeds to the Intercreditor Agreement on September 15, 2016, July 19, 2017, August 30, 2017, April 17, 2018, July 6, 2018, January 14, 2019 and July 8, 2019, respectively. The Intercreditor Agreement provides, among other things, that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes, (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes, (v) the lenders under the Second 2018 Facility, (vi) the holders of the Third 2021 Notes, (vii) the lenders under the 2019 Facility, (viii) the holders of the Notes and (ix) any other creditors with respect to Permitted Pari Passu Secured Indebtedness.
Optional Redemption	At any time prior to July 23, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date, as set forth in "Description of the Notes — Optional Redemption." At any time on or after July 23, 2021, the Company may redeem the Notes, in whole or in part, at the redemption price set forth in "Description of the Notes — Optional Redemption," plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to July 23, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price equal to 106.95% of the principal amount of the applicable Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

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 Reason	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company, a Subsidiary Guarantor or a JV 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 Notes — Redemption for Taxation Reasons."
Covenants	The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV 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 Stock 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; and guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants."
Use of proceeds	We intend to use the net proceeds to refinance our existing indebtedness.
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration.	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 of principal amount and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositor as for Euroclear or Clearstream.

Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about July 23, 2019. You should note that initial trading of the Notes may be affected by the settlement date. See "Plan of Distribution."
Trustee	Citicorp International Limited
Paying Agent and Transfer Agent	Citibank, N.A., London Branch
Security Agent	Citicorp International Limited
Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
Security Codes	Common Code: 203033338
	ISIN: XS2030333384
	LEI number: 549300R3K12EPXCGDP22
Governing Law	The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture 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."

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents 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 and translation amounts shown in US$) is derived from our audited consolidated financial statements for those periods and as of the dates indicated. Our financial statements for the years ended December 31, 2016, 2017 and 2018 have been prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). In particular, HKFRS 9 and HKFRS 15 have been adopted by the Group since January 1, 2018 without restating the financial information for the years ended December 31, 2016 and 2017. Therefore, the audited consolidated financial statements for the year ended December 31, 2018 is not comparable with the consolidated financial statements for the years ended December 31, 2016 and 2017. The impact of the adoption is disclosed in Note 2 of the consolidated financial statements for the year ended December 31, 2018. The summary financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements and the notes to those statements included elsewhere in this offering circular. Translation of Renminbi amounts to U.S. dollars was made at a rate of RMB6.8755 to US$1.00 as at December 31, 2018.

Summary Consolidated Income Statement Information

	Year ended December 31,			
	2016	**2017**	**2018**	**2018**
	RMB	**RMB**	**RMB**	**US$**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
	(in thousands)			
Revenue	14,295,617	15,592,641	19,593,790	2,849,799
Cost of sales	(9,517,476)	(10,367,557)	(12,041,179)	(1,751,317)
Gross profit	4,778,141	5,225,084	7,552,611	1,098,482
Fair value gains on investment properties — net	1,519,884	2,135,356	2,500,520	363,686
Selling and marketing costs	(480,839)	(500,091)	(785,914)	(114,306)
Administrative expenses	(756,913)	(895,081)	(1,480,700)	(215,359)
Other income and gains — net[3]	12,200	588,174	216,369	31,470
Operating profit	5,072,473	6,523,442	8,002,886	1,163,973
Finance costs — net	(678,968)	(572,618)	(1,376,659)	(200,227)
Share of profit of investments accounted for using the equity method	314,295	197,359	187,234	27,232
Profit before income tax	4,707,800	6,148,183	6,813,461	990,978
Income tax expenses	(1,958,596)	(2,280,440)	(3,165,812)	(460,448)
Profit for the year	2,749,204	3,867,743	3,647,649	530,530

	Year ended December 31,			
	2016	**2017**	**2018**	**2018**
	RMB	**RMB**	**RMB**	**US$**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
	(in thousands, except per share data and percentages)			
Profit attributable to:				
Owners of the Company	2,464,682	3,336,752	2,837,007	412,626
Holders of Perpetual Capital Instruments	145,765	117,017	123,045	17,896
Non-controlling interests	138,757	413,974	687,597	100,007
	2,749,204	3,867,743	3,647,649	530,529
NON-GAAP FINANCIAL DATA				
EBITDA(1)	5,187,890	6,148,881	8,019,983	1,166,459
EBITDA margin(2)	36%	39%	41%	41%

Notes:

(1) EBITDA for any period consists of profit before other income and gains—net, depreciation and amortization expenses, finance costs — net, share of profit/loss of investments accounted for using equity method and income tax expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of 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 or other non-operating expenses/income. 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 period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. 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 revenues for the relevant period, expressed as a percentage.

(3) For the purpose of consistent presentation with the consolidated financial statements for the year ended December 31, 2018, net exchange gains of RMB2,343,000 for the year ended December 31, 2016 and net exchange losses of RMB3,391,000 for the year ended December 31, 2017, which were previously presented under a separate line in the consolidated income statements for the years ended December 31, 2016 and 2017 respectively, are included in "other income and gains-net" in this section.

Consolidated Balance Sheet Information

	As of December 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
ASSETS				
Non-current assets				
Property and equipment	2,797,942	3,528,545	3,370,562	490,228
Land use rights	1,050,746	1,059,237	1,181,965	171,910
Investment properties	34,353,397	39,217,669	45,659,136	6,640,846
Investments accounted for using the equity method	2,605,100	4,187,143	4,127,443	600,312
Deferred income tax assets	359,998	367,842	499,343	72,626
Available-for-sale financial assets	413,250	462,507	—	—
Financial assets at fair value through other comprehensive income (“FVOCI”)	—	—	348,461	50,682
Prepayments	724,667	1,207,135	—	—
	42,305,100	50,030,078	55,186,910	8,026,604
Current assets				
Properties under development	8,940,371	10,344,885	32,350,267	4,705,151
Completed properties held for sale	11,302,986	10,416,531	9,442,602	1,373,370
Contract assets	—	—	6,967	1,013
Trade and other receivables	4,568,119	10,193,184	16,252,686	2,363,855
Prepayments	1,417,199	4,149,405	2,014,617	293,014
Prepaid taxes	418,440	365,417	727,215	105,769
Financial assets at fair value through profit or loss	27,003	28,953	297,565	43,279
Restricted cash	1,174,497	575,538	935,935	136,126
Cash and cash equivalents	8,973,804	9,386,757	14,839,776	2,158,356
	36,822,419	45,460,670	76,867,630	11,179,933
Total assets	79,127,519	95,490,748	132,054,540	19,206,537
EQUITY				
Equity attributable to owners of the Company				
Share capital and share premium	2,683,046	2,066,162	1,164,125	169,315
Other reserves	654,900	656,982	681,076	99,058
Retained earnings	19,280,371	22,614,113	25,442,263	3,700,424
	22,618,317	25,337,257	27,287,464	3,968,797
Perpetual capital instruments	1,730,075	1,722,363	1,552,254	225,766
Non-controlling interests	1,591,857	2,414,569	3,965,222	576,718
Total equity	25,940,249	29,474,189	32,804,940	4,771,281

	As of December 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
LIABILITIES				
Non-current liabilities				
Borrowings	22,490,090	25,780,008	34,380,408	5,000,423
Deferred income tax liabilities	4,041,526	4,733,771	206,007	29,962
Derivative financial instruments	—	—	6,130,190	891,599
	26,531,616	30,513,779	40,716,605	5,921,984
Current liabilities				
Trade and other payables	11,234,343	17,208,103	20,725,848	3,014,450
Advances from customers	4,073,472	3,818,693	—	—
Contract liabilities	—	—	16,444,184	2,391,707
Current income tax liabilities	3,701,501	4,720,124	6,642,105	966,054
Borrowings	7,536,083	9,755,860	12,977,220	1,887,459
Derivative financial instruments	110,255	—	—	—
Convertible bonds	—	—	1,743,638	253,602
	26,655,654	35,502,780	58,532,995	8,513,272
Total liabilities	53,187,270	66,016,559	99,249,600	14,435,256
Total equity and liabilities	79,127,519	95,490,748	132,054,540	19,206,537

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

RISKS RELATING TO OUR BUSINESS

We are dependent on the performance of the real estate market in China, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed

Our business and prospects depend on the performance of the real estate market in the PRC. Any property market downturn in China generally or, in particular, in the cities and regions in which we have property projects could adversely affect our business, results of operations and financial position. As of December 31, 2018, we had 34 fully completed projects and 80 projects under development or held for future development. The fully completed projects have an aggregate total GFA of approximately 17.3 million square meters. The properties under development and held for future development have an estimated aggregate total GFA of approximately 21.2 million square meters. As consumer spending changes due to changing economic conditions, we cannot assure you that the demand for new retail or residential properties in the regions where we have operations will continue to grow. In addition, we cannot assure you that there will not be any over-supply of properties or economic downturn in the cities and regions where we have property projects. Any such over-supply or economic downturn may result in a decline in property sales or property prices regionally and/or nationally, which would have a material adverse effect on our business, results of operations and financial position. Demand for our properties may be affected by the macro-economic control measures implemented by the PRC government from time to time, including recently announced additional measures designed to stabilize growth in the PRC economy as a whole and in the property market in particular. See "Risks Relating to the Property Development Industry in China — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China."

Our profitability and results of operations are impacted by the development and profitability of our retail property leasing segment

In addition to property development, leasing our investment properties constitutes an integral part of our business. For the years ended December 31, 2016, 2017 and 2018, revenue generated from our property investment segment constituted approximately 4.2%, 5.5% and 5.7%, respectively, of our total revenue. If there is a significant downturn in the retail property leasing markets in the cities and regions where we have investment properties, we may not be able to maintain our current levels of rental income. In addition, we may not be able to renew leases with our tenants on terms acceptable to us, or at all, upon the expiration of the existing terms. As some of our leases are long-term leases ranging from 10 to 20 years, we may not be able to increase rent levels during the lease terms. As we seek to increase our portfolio of retail investment properties, leasing our properties will become an increasingly major contributor to our revenue going forward. We may not, however, be able to identify or secure suitable tenants for our retail properties. Our inability to expand our portfolio of retail properties for lease and operations, secure suitable tenants or otherwise to enhance the profitability of our leasing segment or to maintain our current levels of rental income would have a material adverse effect on our business, results of operations and financial position.

We may not have adequate resources to fund land acquisitions or find appropriate partners to fund land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We have financed our land acquisition and property developments primarily through a combination of internal funds, borrowings from both domestic and foreign banks, pre-sales and sales proceeds, and proceeds from capital markets financings, including proceeds from the First 2021 Notes, the 2020 Notes, the Second 2021 Notes and the Third 2021 Notes. However, we have outstanding land premiums and we cannot assure you that we will have sufficient cash flow available for land acquisitions, paying our committed land premiums 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, our outstanding non-current and current borrowings were RMB34,380.4 million and RMB36,124.0 million, respectively.

Our ability to arrange adequate financing for land acquisitions or find appropriate partners to fund land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. See "Risks Relating to the Property Development Industry in China."

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. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. For example, in September 2010, the People's Bank of China (the "PBOC") and the China Banking Regulatory Commission (the "CBRC"), which has been reorganized as China Banking and Insurance Regulatory Commission in April 2018, jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewing its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction commencement or completion date, hoarding properties or other non-compliance. On June 27, 2018, at a press conference held by the NDRC regarding the Notice Concerning Improvements to Market Restraint Mechanisms and Strict Prevention of Foreign Debt Risk and Local Government Debt Risk (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) jointly issued by the NDRC and the Ministry of Finance, the NDRC officials expressed that they plan 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. In addition, the NDRC may issue further regulations and guidance to optimize the regulation of foreign debt issuance, such as directing the foreign debt to be used primarily for the repayment of maturing debt. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions) to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may adversely affect our business, financial condition and results of operations.

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

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry. For example:

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices; and

- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminium imports from China, and later on July 6, 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. On September 18, 2018, President Donald Trump imposed 10% tariffs on approximately US$200 billion worth of Chinese goods and planned to increase further. In return, the PRC responded with tariffs on US$60 billion of U.S. goods. In early December, China and the United States reached a 90-day truce on imposing new tariffs, with the United States agreeing to postpone the plan of increasing tariffs on products imported from the PRC until March 2019 (originally to be carried out on January 1, 2019), and China agreeing to cancel similar tariff increases on products imported from the United States in early 2019, pending the results of further negotiations. On March 5, 2019, the Office of the United States Trade Representative issued a notice in the Federal Register to suspend the scheduled tariff increase until further notice, which was a promising sign for a deal between the China and U.S. The PRC government has also promised to buy more products from the U.S. It is expected that leaders of both countries will continue to negotiate the China-U.S. trade policies. 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.

Further, in June 2016, the United Kingdom ("UK") voted to leave the European Union ("EU") in a referendum (the "Brexit Vote"). Currently, both the terms and the timing of the UK's exit from the EU and the future relationship between the two remain unclear. Therefore, it is likely the Brexit Vote will result in political, legal and economic uncertainty. In addition, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States, international trade disputes between China and the United States and heightened market volatility in major stock markets. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our results of operations for each of the three years ended December 31, 2016, 2017 and 2018 included unrealized revaluation increases on investment properties, which would not necessarily lead to realized cash flow

For the three years ended December 31, 2016, 2017 and 2018, we had fair value gains on our investment properties, representing 32.3%, 34.7% and 36.7% of our profit before income tax for the respective years. Upward revaluation adjustments, which reflected unrealized capital gains on our investment properties during the relevant years, were not profit generated from the sales or leasing of our investment properties, and did not generate any actual cash inflow to us. Unless such investment properties are disposed of at similarly revalued amounts, we will not realize actual cash flow for purposes such as servicing our debt obligations. The amount of revaluation adjustments have been, and will continue to be, significantly affected by the prevailing property markets and will be subject to market fluctuations. These factors are beyond our control and we cannot assure you that we will continue to record similar levels of revaluation increases in the future or that the value of our investment properties will not decrease in the future. In the event that there are material downward adjustments in the value of our investment properties in the future, our business, results of operations and financial position may be materially adversely affected.

We have experienced periods of net cash outflow from operating activities in the past and we cannot assure you that we will not experience periods of net cash outflow from operating activities in the future

We have experienced periods of net cash outflow from operating activities in the past. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future. If we continue to have net cash outflow from operating activities in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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 as of December 31, 2016, 2017 and 2018 were RMB30,026.2 million, RMB35,535.9 million and RMB49,101.3 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 and other debt;
- increase our vulnerability to adverse general economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;

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

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

- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and

- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Although the Indenture governing the Notes, the indenture governing the 2020 Notes, the indenture governing the First 2021 Notes, the indenture governing the Second 2021 Notes and the indenture governing the Third 2021 Notes, each restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. 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.

We may not be able to continue to attract and maintain key tenants for our commercial complexes

Our retail properties compete for tenants with a number of other retail properties in the surrounding areas on the basis of a wide range of factors, including location, appearance, age, construction quality, maintenance and design. We also compete for tenants on the basis of rent levels and other lease terms. We seek to maintain the quality and attractiveness of our retail complexes by securing long-term partnerships with domestic and foreign retailers across a wide spectrum of industries. See "Business — Investment Properties — Tenants and Leases." However, we cannot assure you that existing and prospective tenants will not move into the properties of our competitors. Also, because our leases may include short-term leases, rental income from our properties is sensitive to market fluctuations. As a result, we may lose current and potential tenants to our competitors and have difficulty renewing leases or entering into new leases. An increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants, reduce the relative attractiveness of our properties and force us to reduce rent or incur additional costs in order to make our properties more attractive. If we are not able to consistently compete effectively for commercial tenants with other property developers or operators, our occupancy rates may decline. If we fail to attract well-known retailers as our tenants or maintain our existing anchor tenants, the attractiveness and competitiveness of our integrated retail and residential complexes may be adversely affected. This in turn could have a material adverse effect on our business, reputation, results of operations and financial position.

A default by an anchor tenant could result in a significant loss of rental income, a reduction in asset value and increased bad debts

We derive a significant portion of our revenue directly or indirectly from rent received from our anchor tenants. Anchor tenants generally pay a significant portion of the total rents in respect of a retail complex and, in some cases, contribute to the success of securing other tenants by attracting significant numbers of customers to the property. A downturn in business, bankruptcy or insolvency could force an anchor tenant to default on its rental obligations and/or vacate the premises. Such a default, in particular by one of our top five tenants, could result in a loss of rental income, an increase in bad debts, and a decrease the value of the property. Moreover, such a default may prevent us from increasing rents or result in lease terminations by, or reductions in rents for, other tenants under the conditions of their leases. Any of the above effects of a default by an anchor tenant could have a material adverse effect on our business, results of operations and financial position.

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 outside of China in our business in the PRC

In 2005, SAFE issued a notice stipulating that where a foreign-funded real estate enterprise fails to obtain a Certificate for Use of State-Owned Land or to make the capital fund of its development project reach 35% of the total investments of the project, such enterprise will not be permitted to borrow any foreign debt from abroad, nor will SAFE handle its foreign debt registration or approve the foreign exchange settlement for foreign debts. In 2013, SAFE issued another notice that stipulates, among other things, (i) the foreign exchange authorities 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 approval certificates from and registered with the Ministry of Commerce (the "MOFCOM") on or after June 1, 2007; (ii) the foreign-funded real estate enterprises found before June 1, 2007 may borrow foreign debt within the scope of original difference between investment amount and registered capital pursuant to relevant laws and regulations; if the difference between investment amount and registered capital after capital increase is lower than the difference before capital increase, the latter shall be the standard. These regulations effectively restrict us from injecting funds raised offshore, including proceeds of this offering, into our PRC foreign-invested project companies by way of shareholder loans. Without having the flexibility to transfer funds to PRC foreign-invested subsidiaries as loans, we cannot assure you that the dividend payments from our PRC foreign-invested 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.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration from the commerce department of the local government. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. 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.

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

Our financing costs and as a result, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the PBOC. From April 2006 to December 2007, the PBOC raised the benchmark one-year lending rate eight times from 5.58% to 7.47%. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times from 7.47% to 5.31% in December 2008. In December 2010, the PBOC increased the benchmark one-year lending rate to 5.81%. In February 2011, the PBOC increased the benchmark one-year lending rate to 6.06%, increased to 6.31% effective from April 6, 2011 and increased to 6.56% effective from July 7, 2011, although the PBOC subsequently lowered the one-year benchmark lending rate by 25 basis points in June 2012 and by 31 basis points in July 2012 and canceled the lower limit of 0.7 times for loan interest of financial institutions. Since November 2014, the PBOC has cut the lending rate six times and has held it at 4.35%. The PBOC may raise lending rates in the future, in which case our business, financial condition and results of operations would be adversely affected as a result. We are also exposed to fluctuations in the Hong Kong Interbank Offered Rate ("HIBOR"). We have entered into certain credit facilities denominated in H.K. dollars, which carry interest rates linked to HIBOR. For details on these credit facilities, see "Description of Other Material Indebtedness — Offshore Loan Facilities." Any further increases to interest rates, including US federal interest rates, would also increase our interest expenses and the costs of obtaining further financings. This may, in turn, adversely affect our business, financial condition and results of operations. Higher interest rates may increase our finance costs, and our business, financial condition and results of operations could be adversely affected. Our interest expenses on the total borrowings for the years ended December 31, 2016, 2017 and 2018 were RMB1,627.1 million, RMB2,023.5 million and RMB2,958.4 million, respectively.

Our profit level and margin are affected by our turnover mix and other factors and we may not be able to sustain our existing level of profit

We recorded gross profit margins of approximately 33.4%, 33.5% and 38.5% for each of the three years ended December 31, 2016, 2017 and 2018, respectively. Factors including the change of the mix of our revenue sources, such as the proportion of properties sold and properties held for investment and the proportion of our residential and retail properties sold, intensified market competition, failure to achieve sales targets and failure to negotiate volume discounts with suppliers on favorable terms, may reduce our gross profit margin. We cannot assure you that we can always maintain or increase our gross profit margin. In the event that we are unable to maintain or increase our gross profit margin, our profitability may be materially adversely affected. See "— We may not be able to obtain land reserves that are suitable for our model of project development" and "— We may be affected by the performance of third party contractors and prices of construction materials" below.

Our profit level and margin have historically fluctuated due to a number of factors, including the proportion of properties sold and properties held for investment as well as intensified market competition, particularly for residential properties. If we are not able to maintain or increase our gross profit margin, our profitability may be materially and adversely affected.

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

We reassess the fair value of our investment properties at every reported balance sheet date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting the income capitalization approach based on existing and current market rents for similar properties, using capitalization rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognize the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognize changes in fair values of investment properties and the relevant deferred tax in our consolidated income statements. For the three years ended December 31, 2016, 2017 and 2018, we recognized fair value gains on our investment properties of RMB1,519.9 million, RMB2,135.4 million and RMB2,500.5 million, respectively. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability would be materially and adversely affected.

We may not be able to obtain land reserves that are suitable for our model of project development

We derive our revenue principally from the sale of properties that we have developed. Therefore we must maintain or increase our land reserves, each with sufficient size and appropriate scope of usage for our project model, in strategic locations at an appropriate pace in order to ensure sustainable business growth.

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

In recent years, 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. See "Regulations" in this offering circular. Additionally, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. These policy initiatives and other measures adopted by the PRC government from time to time may limit our ability to acquire suitable land for our development or increase land acquisition cost significantly, which may have a material adverse effect on our business, financial condition and results of operations.

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

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, domestic banks require us to guarantee our customers' mortgage loans until the issuance of the relevant property ownership certificates. As a result, such guarantees generally last between six months to one year before we deliver possession of the relevant properties to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may foreclose on the underlying property and recover any remaining amount outstanding from us as the guarantor of the mortgage loan. In line with industry practice, we do not conduct any independent credit checks on our customers but rely on the credit evaluation conducted by the mortgagee banks.

As of December 31, 2016, 2017 and 2018, our outstanding guarantees in respect of our customers' mortgage loans amounted to RMB9,290.2 million, RMB11,378.4 million and RMB15,622.4 million, respectively. Should any material defaults occur and we are required to honor our guarantees, our business, results of operations and financial position may be materially adversely affected.

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

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

Our profitability and results of operations are impacted by the success of our business model

We focus primarily on the development of large-scale, integrated retail and residential complexes in second or third-tier cities in China with growth potential in accordance with urban planning by the local governments. Due to the nature of our business model, we are often one of the first property developers to enter into such markets. In particular, the success of our business model is dependent on, and could be directly affected by, the accuracy of our prediction of the local demand and economic growth of the cities where we have, or will have, projects. Our success is also dependent on our managerial and operational resources as well as our knowledge of the spending habits of local consumers and their acceptance of large-scale, integrated retail and residential complexes. We cannot assure you that our business model will be successful in each of the cities that we enter. In the event that we fail to establish or expand our business model as much as anticipated, our business, reputation, results of operations and financial position may be materially 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 as part of our business model. 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 adversely affect our business, reputation, results of operations, financial position and prospects.

The illiquidity of property investments and the lack of alternative uses of retail and hotel properties could significantly limit our ability to respond to adverse changes in the performance of our properties

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants. Furthermore, with respect to some of our property projects in certain cities such as Shanghai, Nanjing and Zhoushan, we are required under relevant land grant contracts to hold all or part of our properties developed for use of commerce or office for up to ten to twenty or forty years and may not sell or transfer such property without prior consent from the local land authorities.

In addition, retail and hotels properties may not be readily converted to alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of retail and hotel properties to alternative uses generally requires substantial capital expenditures. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and results of operations.

We cannot assure you that we will be able to successfully expand our business into other cities in China

We have historically focused on developing retail and residential properties in Fujian Province and we have expanded into selected emerging cities in China such as Shanghai Municipality, Nanjing, Xuzhou, Nantong, Changzhou, Huai'an, Suzhou, Wuxi, Yancheng, Yangzhou and Zhenjiang in Jiangsu Province, Hangzhou, Ningbo, Wenzhou, Zhoushan, Shaoxing, Jinhua in Zhejiang Province, Haikou in Hainan Province, Dongying, Tai'an, Qingdao and Yantai in Shandong Province, Fuzhou, Zhangzhou and Xiamen in Fujian Province, and Tianjin Municipality and Chongqing Municipality with good growth potential. Expansion may place substantial strain on our managerial, operational and financial resources. In addition, we have limited knowledge of the local conditions of these new property markets and less experience in property development in cities or regions where we did not previously have property developments. Furthermore, we may not have the same level of familiarity with contractors, business practices, regulations, customer preferences, behavior and spending patterns, which may put us in a less competitive position as compared to the local and more experienced national property developers. Any failure to leverage our experience or failure to understand the property market in any other PRC city which we target for expansion may have a material adverse affect on our business, reputation, results of operations and financial position.

We may suffer certain losses not covered by insurance

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

We may not be able to complete or deliver our development projects on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of our property projects typically takes at least six months before they generate positive cash flow through pre-sales or sales. The progress and cost of a development project can be adversely affected by many factors, including, among other things:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing buildings;
- shortages of materials, equipment, contractors and skilled labor;

- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- changes in government policies; and
- economic downturn and decrease in consumer sentiment in general.

Construction delays or the failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect our results of operations and financial position and may also adversely affect our reputation in the industry. We cannot assure you that we will not experience any significant delays in the completion or delivery of our projects, or that we will not be subject to any liabilities for any such delays. For example, in April 2018, several buyers brought suits against us for failing to deliver certain units of one of our projects in Tianjian, the PRC, on time as prescribed in the relevant pre-sale contracts. Liabilities arising from any delays in the completion or delivery of our projects could have a material adverse effect on our business, results of operations and financial position.

The Hoi family is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of the date of this offering circular, approximately 67.58% of our issued shares were beneficially owned by the Hoi family. Subject to compliance with applicable laws, by maintaining such ownership, the Hoi family is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In addition, our chairman and two of our executive directors are members of the Hoi family and are able to exercise substantial control over our business. In particular, the strategic goals and interests of the Hoi family may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Notes.

We may be affected by the performance of third party contractors and prices of construction materials

We employ third party contractors to carry out various works, including design, construction, equipment installation, internal decoration, landscaping, electro-mechanical engineering, pipeline engineering and lift installation. We select third party contractors mainly through a tender or a privately negotiated selection process. We cannot guarantee that any such third party contractor will provide satisfactory services and at the required quality level. In addition, we may not be able to engage sufficient quality third party contractors in the cities which we plan to expand into. Moreover, completion of our property developments may be delayed and we may incur additional costs due to a contractor's financial or operational difficulties. The contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs. The services rendered by any of these independent contractors may not always be satisfactory or match our requirements for quality. Any of these factors could have a negative impact on our reputation, business, results of operations and financial position.

Our operations depend on our ability to obtain an adequate supply of raw materials at acceptable prices and quality and in a timely manner

We depend on our suppliers to provide us with sufficient quantities of raw materials such as steel, cement, sand, ballast and timber at acceptable prices and in a timely manner. We generally do not maintain long-term contracts with our suppliers. Rather, we typically enter into contracts with our suppliers on a project by project basis. These contracts usually last, at most, only as long as the life of the individual project and hence the terms of these contracts can range from one year to five years. Raw materials, such as steel, have been subject to substantial price volatility and, from time to time, shortages of supply in the PRC. During times of short supply, we may have to pay significantly higher prices to obtain sufficient raw materials. We have not entered into any raw materials hedging contracts. We also need raw materials of acceptable quality. Raw materials of lesser quality may negatively affect the quality of our projects. Any failure to obtain adequate raw materials, or failure to do so on commercially acceptable terms and in a timely manner, could interfere with our operations and adversely affect the results of our operations.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, scope of usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, or impose fines or other penalties. Specifically, under current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment fine calculated on a per-day basis or other penalties. We cannot assure you that we will not have any overdue land premium in the future in relation to any new parcels of land we purchase, or that we will be able to enter into supplemental agreements with the local government authorities to postpone the payment dates for overdue land premium on terms acceptable to us, or at all. Under PRC laws and regulations, if we fail to reach a supplemental agreement to extend the payment dates for the overdue land premium, we may be required to pay a late payment fine or be subject to other penalties.

If we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land resources bureau may serve a warning notice on us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to reclamation by the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, notwithstanding that the commencement of the land development is in line with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than one-fourth of the total investment of the project and the development of the land has been suspended for over one year without government approval, the land will be treated as idle land. There have been instances where we did not commence construction of our properties on time as required by relevant land grant contracts. For example, a parcel of land owned by us in Yantai has been designated as idle land in an idle land notice issued by the local land authority in March 2018 as we failed to commence development on such land for more than two years. We have applied for necessary permits for property construction on such land. In April 2018, the local land authority issued another notice to us, according to which, the local land authority will withdraw the idle land notice if the construction works commencement permits for construction on such land can be obtained by us before June 30, 2018. In April 2018, we obtained two construction work commencement permits and commenced construction on the land parcel in Yantai. We cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred in connection with such land.

The land grant contracts may also impose other obligations or restrictions on us. We are required under some land grant contracts to construct, at our costs and expenses, certain public facilities on the land granted to us, such as public roads, urban greenbelts, kindergartens and schools, housing for public transport hub. These public facilities shall be transferred to local governments for free upon completion according to the land grant contracts.

We may not be able to obtain the requisite governmental approvals or land use rights certificates with respect to certain parcels of land in which we have acquired an interest

The property industry is subject to extensive regulations whether in the PRC or in the overseas markets. For example, we must go through various PRC governmental approval and filing procedures and obtain the requisite approvals and licenses for our investment in a property development 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. Each approval is dependent on the satisfaction of a set of conditions. 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. 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 or permits on time. We cannot assure you that the local authorities will not impose penalties on us or even suspend the construction due to lack of such approvals. For example, certain of our project companies failed to obtain work commencement permits before commencing construction and were imposed of fines by local authorities. Failure to obtain, or material delays in obtaining the requisite governmental approvals for any of our projects could give rise to potential liabilities, including administrative penalties, 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 may not always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various contractual arrangements with a view to facilitating potential acquisitions of land use rights for certain parcels of land. None of these contractual arrangements are land grant contracts with the PRC government or confirmation by the PRC government of the sale of state-owned land use rights. In addition, we are in the process of applying for land use rights certificates which are to be granted by the government authorities directly for certain other parcels of land. We cannot assure you that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land we may contract to acquire in the future, in a timely manner, or at all. For example, we entered into a land grant contract with local land authorities in September 2012 with respect to Tianjin North Green Area Project and have paid the land premium. However, we have not been granted a land use rights certificate for the parcel of land. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements are subject to various government approvals that involve relatively complex procedures, it is not uncommon to take years to complete the acquisition of the underlying land, if at all. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land we have contracted or may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected.

We may bear demolition and resettlement costs associated with our property developments and such costs may increase

Currently, we do not have any land reserves in relation to which we are responsible for the demolition of existing buildings or resettlement of original residents. However, as we expand our business operations, we may engage in land primary development provided that suitable opportunities exist. In such circumstance, it is likely that we will be required to compensate owners and residents of demolished buildings for their relocation and resettlement in accordance with relevant PRC laws and regulations. The compensation we will have to pay is calculated in accordance with formulae published by the relevant local authorities. These formulae take into account the location, type of building subject to demolition, local income level and many other factors. We cannot assure you, however, that these local authorities will not change or adjust their formulae from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, results of operations and financial position. In addition, the owners of the existing buildings to be demolished may disagree with the compensation and bring law suits against us which may materially delay the demolition process and thus adversely affect our results of operation and financial position.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC entities on a combined basis only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC entities are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC entities combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially 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.

We face uncertainty with respect to indirect transfers of equity interests in PRC residents enterprises by their non-PRC holding companies

On February 3, 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("Circular 7"). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) ("Circular 698") and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on December 10, 2009. Circular 698 was then abolished in October 2017 by the State Administration of Taxation. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("PRC Taxable Assets"). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for example, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. As Circular 7 was newly implemented and only became effective in February 2015, there is limited guidance and practical experience regarding the application and enforcement of Circular 7. As a result, we may become at risk of being taxed under Circular 7 due to any future transfer of equity interests. We may be required to allocate significant resources to comply with Circular 7 or to establish that we should not be taxed under Circular 7, which may have a material adverse effect on our financial condition and results of operations.

Our cashflow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties

We intend to retain an increasing portion of our retail properties for recurring rental income and potential for capital appreciation and to sell our residential properties for cash flow. Our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties.

Our income tax obligations may increase, dividends from our PRC subsidiaries may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Law

In March 2007, the National People's Congress of the PRC and its Standing Committee (the "NPC" or the "National People's Congress") enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "New Tax Law"), which took effect on January 1, 2008 and as amended on February 24, 2017. The New Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions. For the three years ended December 31, 2015, 2016, 2017 and 2018, we paid enterprise income tax of RMB307.5 million, RMB443.8 million, RMB657.6 million and RMB628.5 million, respectively.

We are a Cayman Islands holding company that is financially dependent on distributions from our subsidiaries and substantially all of our business operations are conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The New Tax Law and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (together with the New Tax Law, the "New Tax Laws"), effective January 1, 2008, provide that any dividend payment to foreign investors is subject to a withholding tax at a rate of 10%. Pursuant to the Protocol IV to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong may be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. You should also read the risk factor entitled "— We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business" and "— Our Subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries".

In addition, under the New Tax Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by individual as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC corporate income tax purposes and subject to the uniform 25% corporate income tax as to our global income. If we are treated as such a PRC resident enterprise under PRC tax laws, we could face adverse tax consequences.

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 of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner" (關於全面推開營業稅改征增值稅試點的通知) (Cai Shui [2016] No. 36) issued on March 23, 2016 and implemented on May 1, 2016 ("Circular 36") by the PRC Ministry of Finance (the "MOF") and State Administration of Taxation (the "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, replacing the business tax ("BT") that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the PRC Ministry of Finance and State Administration of Taxation, 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 BT rate we were subject to prior to the implementation of Circular 36. For example, the VAT rate for sale of self-developed real estate projects will be increased from 5% (current BT rate) to 11%, which was reduced to 10% commencing May 1, 2018 and further reduced to 9% commencing April 2019. Unlike the BT, the VAT will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the output tax. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and image as well as the brand name and image of our corporate partners, including our anchor tenants, to attract potential customers to our commercial complexes. Any negative incident or negative publicity concerning us or our properties or any of our anchor tenants at our commercial complexes could adversely affect our reputation and business prospects. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our commercial complexes, or if we are perceived to act in an unethical or socially irresponsible manner. As we are less well known in certain regions in China where we do not have property projects, any negative publicity and resulting decrease in brand value, and/or failure to establish our brand in these regions could have a material adverse effect on our business, results of operations and financial position.

We have limited experience in the high-quality hotel development business, which may adversely affect our results in that segment

As of December 31, 2018, we owned 17 hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province and Anhui Province. Nine of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining eight of our owned hotels are operated by us. In addition, we operate, but do not own, one hotel in Shandong Province. We may face considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of hotel visitors. In addition, we cannot assure you that there will be sufficient demand for additional high-quality hotel facilities in these locations. As we will rely on hotel management companies to manage our hotels, we may not be in a position to identify or resolve potential issues that may arise in relation to the hotels. If we fail in our efforts in the high-quality hotel development business, it may have a material adverse effect on our business, results of operations and financial position.

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

Our success depends on the continued services provided by our executive directors and members of our senior management team. Competition for such talented employees is intense in the PRC property development sector. We are very dependent on our chairman, Hoi Kin Hong and our senior management members, including Hoi Wa Fong, Shih Sze Ni Cecilia, Xiao Qing Ping and Zhang Hong Feng. They have an average of 15 years of experience in the PRC property industry, with in-depth knowledge of various aspects of property development. If any core management team member leaves and we fail to find a suitable substitute, our business will be adversely impacted. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain employees on a much larger geographical scale. If we cannot attract and retain suitable human resources, our business and future growth will be materially adversely affected.

Property owners may terminate our engagement as the provider of property management services which could materially adversely affect our business, results of operations and financial position

We provide after-sales property management services to the owners of our residential and retail properties through our wholly owned property management subsidiaries, Hualong Property and Hualong Commercial and their respective subsidiaries. We believe that property management is an important part of our business and critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the home owners of a residential community of certain scale have the right to change the property management service provider upon the consent of a certain percentage of home owners. If home owners of the projects that we have developed choose to terminate our property management services, our reputation, business, results of operation and financial position could be materially and adversely affected.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities 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, tenants, original residents, residents of surrounding areas, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in liabilities and cause delays to our property developments. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects. Any of the above could have a material adverse effect on our business, results of operations and financial position. During the three years ended December 31, 2016, 2017 and 2018, we were involved in certain legal or other disputes in the ordinary course of our business, including claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties.

The total GFA of some of our property developments may have exceeded the original authorized area and the excess GFA is subject to governmental approval and payment of additional land premium

When the PRC government grants land use rights for a piece of land, it will specify in the land grant contract the permitted use of the land and the total GFA that the developer may develop on the land. The actual GFA constructed, however, may exceed the total GFA authorized in the land grant contract due to factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant government authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. If we fail to obtain the required certificate of completion due to any such excess, we will not be allowed to deliver the relevant properties or to recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the sale and purchase agreements. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the certificate of completion on a timely basis. Under relevant PRC laws and regulations, we may be required to pay additional amounts or take corrective actions with respect to any such non-compliant GFA before a certificate of completion can be issued in respect of the property development or before the general property ownership certificate can be issued. Any of the above could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO THE PROPERTY DEVELOPMENT INDUSTRY IN CHINA

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations

Historically, the PRC property market has been cyclical. In recent years, 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, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and our revenue and results of operations will be adversely affected. We cannot assure you that the problems of over-supply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition. The PRC property market is also susceptible to the volatility of the global economic conditions as explained in "— Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets."

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property market in China

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on 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. See "Regulations" in this offering circular.

From time to time, local governments may adopt more stringent policies to regulate the property market. For instance, Shanghai has recently launched a new campaign to clamp down on so-called commercial-title apartments by which the approval of all new commercial-title apartment projects is to be suspended, while the construction and sale of commercial and office projects will be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. Certain of our projects in Shanghai will have to adjust the construction plans due to such new policy. Other political, economic and social factors may also lead to further adjustments and changes of such policies.

We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. 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 a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see "Regulation — Measures on Stabilizing Housing Prices."

Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance

We depend on cash flows from the pre-sale of properties as an important source of funding for our property development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their developments. Any such measures will materially adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project developments.

In addition, we make certain undertakings in our sale and purchase agreements including obtaining the requisite completion acceptance inspection certificates for the properties and delivering completed properties and property ownership certificates to the customers within the period stipulated in the sale and purchase agreements. These sale and purchase agreements and PRC laws and regulations provide for remedies for breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the sale and purchase agreements and claim compensation. We cannot assure you that we will not experience significant delays in the completion and delivery of our projects which could have a material adverse effect on our business, results of operations and financial position.

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

In accordance with the provisions of the PRC Provisional Regulations on Land Appreciation Tax and their implementation rules, all persons including companies and individuals that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the land and improvements on such land, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible expense items as defined in the relevant LAT regulations.

We have been prepaying LAT with reference to our pre-sale proceeds according to the relevant regulations of the local PRC government in jurisdictions where we have operations. Such LAT prepayments are recorded as a part of "prepaid taxes" on our consolidated balance sheets. We also made LAT provision of RMB806.5 million, RMB875.6 million and RMB1,387.4 million during the three years ended December 31, 2016, 2017 and 2018, respectively. Provisions for unsettled LAT liabilities are recorded as a part of "current income tax liabilities" on our consolidated balance sheets. However, we cannot assure you that our LAT provision will be sufficient to cover our past LAT liabilities. We also cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities. Our financial position may be materially adversely affected if our LAT liabilities as finally calculated by the relevant tax authorities are substantially higher than our LAT provisions.

We may not be able to obtain qualification certificates

As a precondition to engage in real property development in China, a company must obtain a qualification certificate and renew it on an annual basis. According to the PRC regulation on qualification of property developers issued in 2000, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years under renewal. If, however, a 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. Furthermore, established developers must also apply for renewal of their qualification certificates on an annual basis. Government regulations mandate that developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We develop all of our properties through project companies. These project companies must also hold valid qualification certificates to be able to conduct their businesses. As of the date of this offering circular, several of our PRC subsidiaries which are developing projects, such as Qingciao Powerlong Yingju Culture Tourist Development Co., Ltd., are either renewing or applying their qualification certificates. We cannot assure you that we and our project companies will continue to be able to extend or renew the qualification certificates. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. Any of the above could have a material adverse effect on our business, results of operations and financial position.

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

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

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

Intensified competition may adversely affect our business and our financial position

In recent years, many competitors, including overseas property developers and operators and large-scale commercial facility operators have entered the property development markets in regions of China where we have operations. Many of them may have more financial or other resources than us and may be more sophisticated than we are in terms of engineering and technical skills. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals, and higher costs to attract or retain talented employees, which may in turn lead to lower profit margins. Moreover, property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively, our business, results of operations and financial position will suffer.

Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability

We are subject to extensive and increasingly stringent environmental protection laws and regulations that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by the central, provincial or municipal government of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and we may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations.

We have not adopted additional environmental protection measures other than the measures generally taken in the ordinary course of business by companies in the industry. These measures include conducting environmental assessments on our property construction projects, hiring construction contractors who have good environmental protection and safety track record and requiring them to comply with the relevant laws and regulations on environmental protection and safety. We require them to use construction materials and construction methods that meet the requirements of such laws and regulations, undertake final clean up of the construction site, limit work hours for noisy construction activities and manage quality of residual soil. In addition, there is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. As of the date of this offering circular, several of our subsidiaries with projects under development are in the process of applying for approval for environmental assessments. If we fail to comply with existing or future environmental laws and regulations or fail to meet the expectations of the society, our reputation may be damaged or we may even be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, results of operations and financial position.

RISKS RELATING TO CHINA

Changes in PRC political and economic policies and conditions could adversely affect our business and prospects

China has been, and will continue to be, our primary operating base and currently most of our assets are located in China. While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy since 1978, a substantial part of the PRC economy is still being operated under various controls of the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, that the government believed to be overheating, such as raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits. Our business prospects and results of operations may be materially adversely affected by changes in the PRC economic and social conditions and by changes in the rates or method of taxation and the imposition of additional restrictions on currency conversion.

In addition, China's economic growth and condition may also be adversely affected due to recent developments surrounding the trade-war with the United States. Starting in 2018, the trade war between China and the United States continues to escalate in recent years. A serious and protracted war will impact trade flows and global economy, including the China economy, and in turn, the purchasing power of our customers, which would have a material and adverse impact on our business, financial condition and results of operation. In addition, any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity.

Changes in foreign exchange and foreign investment regulations in China may adversely affect our ability to invest in China and the ability of our subsidiaries to pay dividends and service debts in foreign currencies

Renminbi is not a freely convertible currency at present. We currently receive substantially all of our revenues in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Changes in PRC laws and regulations on foreign exchange may result in uncertainties in our financing and operating plans in China. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions, payment of dividends and service of foreign debts. Under existing PRC foreign exchange regulations, payments of current-account items, including profit distributions, interest payments and operation-related expenditures, may be remitted in foreign currencies without prior approval from the relevant foreign exchange administration authorities by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions. Strict control applies to capital account transactions. Pre-approval or registration is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay for capital expenses. Changes in PRC foreign exchange policies may have a negative impact on the ability of our PRC subsidiaries to service its foreign currency denominated indebtedness and to distribute dividends to us in foreign currencies.

Subsequent to this offering, we have the choice of investing our net proceeds in the form of registered capital or a shareholder loan into our operating foreign-invested subsidiaries. Our choice of investment is affected, however, by the relevant SAFE regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our foreign-invested subsidiaries in China is subject to approval by PRC government authorities in case of an increase in registered capital, or subject to registration with PRC government authorities in case of a shareholder loan. These limitations on the cash flow between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

PRC regulations relating to the establishment of offshore special companies by PRC residents may adversely affect our business operations

In October 2005, SAFE issued the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective on November 1, 2005 ("Notice 75"). In July 2014, Notice 75 was abolished by SAFE and was superseded by Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) which was issued by SAFE and became effective on July 4, 2014 ("Notice 37"). Notice 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities 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 SAFE registration with the local SAFE branch before February 28, 2015 and local banks after February 28, 2015 with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. Failure by an individual to comply with the required SAFE registration and updating requirements described above may result in penalties up to RMB50,000 imposed on such individual and 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 for the offshore SPV. Failure to comply with Notice 37 may also subject 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.

Our controlling shareholders have completed the registration of their offshore SPV in accordance with Notice 75 in February 2008. Changes in the status of these offshore SPV would require further registration of changes in accordance with Notice 75 and Notice 37. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

PRC laws and regulations involve many uncertainties and the current legal environment in China could have a negative impact on our business and/or limit the legal protections available to you

Our core business is conducted in China and our principal operating subsidiaries are located in China. As such, they are subject to PRC laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior cases have little precedent value in deciding subsequent cases in the civil law legal system. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and overall economic orders of the country. China has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects.

For example, on September 14, 2015, the NDRC issued the "Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises' Issuance of Foreign Debts" (關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)), or the "NDRC Circular" which came into effect on the same day. According to the NDRC Circular, enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments to the NDRC within ten business days in the PRC after the completion of each issuance. Pursuant to the NDRC Circular, in the case of any significant discrepancy between the circumstances of the enterprises' issuance of foreign debt and the recordation and registration information, an explanation shall be made when information is submitted. The NDRC will include the bad credit records of enterprises that maliciously submit false reports on the quota of foreign debts subject to recordation and registration in the national credit information platform. In practice, enterprises incorporated outside of the PRC and controlled by individuals (other than those controlled by PRC enterprises as expressly provided in the NDRC Circular) also have been required by the NDRC to comply with the NDRC Circular. On June 27, 2018, at a press conference held by the NDRC regarding the Notice Concerning Improvements to Market Restraint Mechanisms and Strict Prevention of Foreign Debt Risk and Local Government Debt Risk (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) jointly issued by the NDRC and the Ministry of Finance, the NDRC officials expressed that they plan 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. On July 12, 2019, the NDRC published on its website A Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知), which imposes more restrictions on real estate enterprises incurring medium to long term foreign debt. The use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing medium to long term offshore debts of the real estate developer which will become due within one year. The real estate developer is required to specify in documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts, such as amount, maturity date, and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment. All these uncertainties may limit the legal protections available to foreign investors including you.

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

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

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God or a recurrence of SARS or an outbreak of other epidemics, such as influenza A (H1N1) and avian flu (H5N1)

Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or susceptible to epidemics such as Severe Acute Respiratory

Syndrome, or SARS. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as influenza A (H1N1) and avian flu (H5N1), especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may materially adversely affect our business, results of operations and financial position.

RISKS RELATING TO THE NOTES

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by the Non-Guarantor Subsidiaries, and under the terms of the Indenture, Subsidiary Guarantors may be able to release their Subsidiary Guarantees or replace their Subsidiary Guarantees with limited recourse JV Subsidiary Guarantees, in each case subject to certain conditions. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors. The Subsidiary Guarantors and the JV 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 and JV Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of our Non-Guarantor Subsidiaries 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, our PRC subsidiaries had borrowings in the amount of RMB34,176.4 million (US$4,970.8 million) and they provided guarantees to banks for RMB15,662.4 million (US$2,278.0 million) of mortgage facilities granted to purchasers of our properties. The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantors would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantors securing the related obligations over claims of holders of the Notes.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, a JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Security Agent pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments 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 ability of the Subsidiary Guarantors or JV Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations 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 also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once or twice a year. In addition, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to a double tax treaty 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, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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 and to repay shareholder loans. 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 and, in the case of shareholder loans, evidence of the registration of the loan with SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on any of our shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications.

Under PRC regulations, we may not be able to transfer to our PRC foreign-invested subsidiaries proceeds of this Notes offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes

MOFCOM and SAFE have issued notices indicate that SAFE would not process any foreign debt registration or settlement of foreign exchange for foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM and registered with MOFCOM after June

1, 2007. As PRC foreign-invested enterprises cannot repay any loans or interest with respect to foreign debt under the PRC foreign exchange control system to persons outside the PRC without registration of the foreign debt with the SAFE, these regulations effectively prohibit our ability to fund our PRC foreign-invested subsidiaries in the form of loans. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China can only be transferred to our PRC foreign-invested subsidiaries as equity investments or as loans subject to the restrictions on foreign-invested real estate enterprises as imposed by the foreign debt registration rules. Without having the flexibility to transfer funds to PRC foreign-invested subsidiaries as loans, we cannot assure you that the dividend payments from our PRC foreign-invested 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.

We and holders of the Notes may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the 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 the 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, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the PRC currency's exchange rate flexibility. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar from 2005 to 2013. In August 2015, the Renminbi experienced a substantial devaluation as a result of adjustments made by the People's Bank of China to the reference Renminbi to U.S. dollar exchange rate. The Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future, PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market. 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 the 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 into 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. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge, charge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indentures, and these arrangements may be secured by pledges or charges of our cash and other assets as permitted under the Indentures. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

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

Under the Enterprise Income Tax Law of the PRC (the "PRC EIT Law"), if we are deemed a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if there is such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Similarly, any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. It is uncertain whether we will be considered a PRC "resident enterprise", so it is unclear whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Notes, would be treated as income sourced within China and be subject to PRC tax. If we are required under the PRC EIT Law to withhold PRC income tax on our interest payable to our foreign shareholders who are "non-resident enterprises", we will be required to pay such additional amounts as are necessary to ensure receipt by the holder of the full amount which the holder would have received but for such withholding. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flows. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise", holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "Description of the Notes."

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

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture 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 Indenture governing the Notes also include a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

Since we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the United States federal bankruptcy law. In addition, the Subsidiary Guarantors are incorporated in the British Virgin Islands or Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

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

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future debt obligations and other agreements, including the indenture governing the 2020 Notes, the indenture governing the First 2021 Notes, the indenture governing the Second 2021 Notes, the 2017 Facility Agreement, the Second 2018 Facility Agreement, the indenture governing the Third 2021 Notes or the 2019 Facility Agreement, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture governing the Notes contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under our other debt agreements, including the Indentures governing the Notes. 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 Notes and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The Indenture governing the Notes, the indenture governing the 2020 Notes, the indenture governing the First 2021 Notes, the indenture governing the Second 2021 Notes, the 2017 Facility the 2019 Facility Agreement, the Second 2018 Facility Agreement, the indenture governing the Third 2021 Notes, and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

The terms 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 the section entitled "Certain covenantsLimitation on Restricted Payments" and the definition of "Permitted Investment" in "Description of the Notes." As of the date of this offering circular, we have designated a number of Unrestricted Subsidiaries. See "Corporate Structure."

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

Approval in-principle has been received 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 a listing or that, if listed, a trading market will develop for the Notes on the SGX-ST. 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 ratings assigned to the Notes may be lowered or withdrawn in the future

The Notes are rated B2 by Moody's Investors Service, Inc.. The rating addresses our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the 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.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to the independent shareholders' approval 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 officer's certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

Facts and statistics in this offering circular relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we 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 significant respects from generally accepted accounting principles in other jurisdictions.

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and Notes in definitive registered form 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 for purposes of the Indenture. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. Upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued with respect to 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. See "Description of the Notes — Book-Entry; Delivery and Form."

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

We will be subject to continuing listing obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as 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.

RISKS RELATING TO THE SUBSIDIARY GUARANTEES, THE JV SUBSIDIARY GUARANTEES AND THE COLLATERAL

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

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain other 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. 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 such Non-Guarantor Subsidiaries. See "Description of the Notes — The Subsidiary Guarantees and JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors and JV Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors and JV Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

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

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

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;

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

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

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

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

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

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

The pledge or charge of certain Collateral may in some circumstances be voidable or may not be enforceable

The pledge or charge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or charge or, under some circumstances, within a longer period. Pledges or charges of issued Capital Stock of future Subsidiary Guarantors or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge or charge of certain Collateral may be voided based on the analysis set forth under "— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees." The pledge or charge of the Collateral may also not be enforceable as first fixed charges as therein provided as the Collateral remains subject to certain share pledges previously executed by us to secure our obligations under the First 2021 Notes, certain of the 2020 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility and the Third 2021 Notes and have not been released in accordance with the terms of the First 2021 Notes Indenture, 2020 Notes Indenture, the Second 2021 Notes Indenture, the Third 2021 Notes Indenture and the 2019 Facility.

If and to the extent that any of the pledges or charges of the Collateral were to be voided or were unenforceable 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 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and other Permitted Pari Passu Secured Indebtedness

The Collateral will consist only of the issued Capital Stock of the initial Subsidiary Guarantors and our proportional interest in the initial JV Subsidiary Guarantor owned by the Company or the Subsidiary Guarantor Pledgors and may in the future include our proportional interest in certain JV 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, the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and other Permitted Pari Passu Secured Indebtedness to repay other debt or to make investments in properties and assets that will not be pledged or charged as additional Collateral.

The ability of the Security 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 Security Agent 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 Guarantors or where applicable, certain future JV Subsidiary Guarantors, may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

Provided the Security Agent is indemnified and/or secured to its satisfaction, it may be required to take action to enforce the Collateral in accordance with the instructions of holders of the Notes, the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and creditors of other Permitted Pari Passu Secured Indebtedness given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Security Agent will adversely affect our entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees, will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Security Agent is permitted to take enforcement actions. If an Event of Default occurs under the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the 2019 Facility or the Third 2021 Notes, the holders of the 2020 Notes, the holders of the First 2021 Notes, the holders of the Second 2021 Notes, the lenders under the 2017 Facility, the lenders under the Second 2018 Facility, the holders of the Third 2021 Notes, the lenders under the 2019 Facility and creditors of other Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, through their respective trustee or agent, subject to the satisfaction of the conditions under the Intercreditor Agreement, may instruct the Security Agent to take such enforcement action. By virtue of the instructions given to the Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes.

The Security Agent, acting in its capacity as such, will have such duties with respect to the Collateral pledged, charged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes and the 2019 Facility. Under certain circumstances, the Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes, the 2020 Notes, the First 2021 Notes, the Second 2021 Notes, the 2017 Facility, the Second 2018 Facility, the Third 2021 Notes and the 2109 Facility. The Security Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, the holders of the 2020 Notes, the holders of the First 2021 Notes, the holders of the Second 2021 Notes, the lenders of the 2017 Facility, the lenders under the Second 2018 Facility, the holders of the Third 2021 Notes, the lenders under the 2019 Facility, unless such holders have offered to the Security Agent indemnity and/or security satisfactory to the Security Agent against any loss, liability, cost or expense.

The pledge or charge of certain Collateral may be released under certain circumstances

In the event that a Subsidiary Guarantor is able to release its Subsidiary Guarantee by selling or issuing more than 20% of the issued Capital Stock of such Subsidiary Guarantor to a third party, because the consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 25% of our total assets, we are permitted to release the pledge or charge of the shares granted by and over such Subsidiary Guarantor.

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

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discount and related expenses payable, will be approximately US$168.3 million. We intend to use the net proceeds to refinance our existing indebtedness.

EXCHANGE RATE INFORMATION

PRC

The PBOC, sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which were set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 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.

On May 18, 2007, the PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This range was subsequently increased to 1.0% on April 16, 2012 and further increased to 2.0% on March 17, 2014. This allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0% above or below the central parity rate published by the PBOC. The PBOC has authorized the China Foreign Exchange Trading Center, effective from January 4, 2006, to announce 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.

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

Period	Low	Average(1)	High	Period End
	(RMB per US$1.00)			
2012	6.2221	6.2990	6.3879	6.2301
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	6.6549	6.9580	6.9430
2017	6.4773	6.7350	6.9575	6.5063
2018				
October	6.8680	6.9191	6.9737	6.9737
November	6.8894	6.9367	6.9558	6.9558
December	6.8343	6.8837	6.9077	6.8755
2019				
January	6.6958	6.7863	6.8708	6.6958
February	6.6822	6.7367	6.7907	6.6912
March	6.6916	6.7119	6.7381	6.7112
April	6.6870	6.7161	6.7418	6.7347
May	6.7319	6.8519	6.9182	6.9027
June	6.8510	6.8977	6.9298	6.8650
July (through July 5)	6.8487	6.8734	6.8925	6.8925

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

HONG KONG

The H.K. dollar is freely convertible into other currencies, including 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. In May 2005, the Hong Kong Monetary Authority broadened the trading band from the original rate of HK$7.80 per US$1.00 to a rate range of HK$7.75 to HK$7.85 per US$1.00. The Hong Kong government has indicated its intention to maintain the link within that rate range. 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 within the rate range of HK$7.75 to HK$7.85 per US$1.00, or at all.

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

Period	Low	Average(1)	High	Period End
	(HK$ per US$1.00)			
2012	7.7493	7.7556	7.7699	7.7507
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	7.7618	7.8270	7.7534
2017	7.7540	7.7950	7.8267	7.8128
2018				
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	7.8466	7.8492	7.8499	7.8498
April	7.8368	7.8445	7.8497	7.8451
May	7.8387	7.8478	7.8497	7.8387
June	7.8080	7.8260	7.8430	7.8103
July (through July 5)	7.7956	7.8015	7.8127	7.7956

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

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, short-term borrowings and capitalization as of December 31, 2018, presented:

- on an actual basis; and
- on an as adjusted basis to reflect the net proceeds from the issuance of the Notes after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering and net proceeds from the Third 2021 Notes issued in January 2019.

Except as otherwise disclosed herein, there has been no material change in our capitalization since December 31, 2018.

	As of December 31, 2018			
	Actual		As adjusted	
	RMB	US$[6]	RMB	US$[6]
	(in thousands)			
	(Audited)		(Unaudited)	
Cash and cash equivalents	14,839,776	2,158,356	17,293,340	2,515,212
Short-term borrowings[1][7]				
Bank borrowings	2,184,344	317,700	2,184,344	317,700
Short-term commercial paper[3]	300,000	43,633	300,000	43,633
Current portion of long-term borrowings	9,586,776	1,394,339	9,586,776	1,394,339
Other borrowings	906,100	131,787	906,100	131,787
Total short-term borrowings	12,977,220	1,887,459	12,977,220	1,887,459
Long-term borrowings[2][7]				
First 2021 Notes	1,362,109	198,111	1,362,109	198,111
2020 Notes	3,772,145	548,636	3,772,145	548,636
Second 2021 Notes	2,395,044	348,345	2,395,044	348,345
Third 2021 Notes	—	—	1,296,720	188,600
Notes to be issued[4]	—	—	1,156,844	168,256
Bank borrowings	23,836,141	3,466,823	23,836,141	3,466,823
Corporate bonds	9,202,345	1,338,426	9,202,345	1,338,426
Other borrowings	3,399,400	494,422	3,399,400	494,422
Less: amounts due within one year	(9,586,776)	(1,394,339)	(9,586,776)	(1,394,339)
Total long-term borrowings	34,380,408	5,000,424	36,833,972	5,357,280
Capital and reserves				
Equity				
Total equity	32,804,940	4,771,281	32,804,940	4,771,281
Total capitalization[5]	67,185,348	9,771,705	69,638,912	10,128,561

Notes:

(1) Short-term borrowings include the current portion of long-term borrowings.

(2) Long-term borrowings exclude the current portion of long-term borrowings.

(3) Short-term commercial paper refers to the first tranche of the 270-day commercial paper issued by Shanghai Powerlong on April 26, 2018. See "Description of Other Material Indebtedness — Corporate Bonds" for more details.

(4) Estimated net proceeds after deducting the underwriting discounts and commissions and other estimated expenses in connection with this offering.

(5) Total capitalization consists of total long-term borrowings and total equity.

(6) Translation of Renminbi amounts to U.S. dollars was made at a rate of RMB6.8755 to US$1.00 as at December 31, 2018.

(7) Since December 31, 2018, except for the Third 2021 Notes as adjusted, we have incurred other material indebtedness, which includes the issuance of the 2019 Facility and certain onshore and offshore loans which are not reflected in the table above. See "Description of Other Material Indebtedness".

CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The financial data as of and for each of the fiscal years ended December 31, 2016, 2017 and 2018 (except for EBIDTA data and translation amounts shown in US$) is derived from our audited consolidated financial statements for those periods and as of the dates indicated. Our financial statements for the years ended December 31, 2016, 2017 and 2018 have been prepared and presented in accordance with HKFRS. In particular, HKFRS 9 and HKFRS 15 have been adopted by the Group since January 1, 2018 without restating the financial information for the years ended December 31, 2016 and 2017. Therefore, the audited consolidated financial statements for the year ended December 31, 2018 is not comparable with the consolidated financial statements for the years ended December 31, 2016 and 2017. The impact of the adoption is disclosed in Note 2 of the consolidated financial statements for the year ended December 31, 2018. The financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements and the notes to those statements included elsewhere in this offering circular.

Consolidated Income Statement Information

	Year ended December 31,			
	2016	**2017**	**2018**	**2018**
	RMB	**RMB**	**RMB**	**US$**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**
	(in thousands)			
Revenue	14,295,617	15,592,641	19,593,790	2,849,799
Cost of sales	(9,517,476)	(10,367,557)	(12,041,179)	(1,751,317)
Gross profit	4,778,141	5,225,084	7,552,611	1,098,482
Fair value gains on investment properties — net	1,519,884	2,135,356	2,500,520	363,686
Selling and marketing costs	(480,839)	(500,091)	(785,914)	(114,306)
Administrative expenses	(756,913)	(895,081)	(1,480,700)	(215,359)
Other income and gains — net[(4)]	12,200	558,174	216,369	31,470
Operating profit	5,072,473	6,523,442	8,002,886	1,163,973
Finance costs — net	(678,968)	(572,618)	(1,376,659)	(200,227)
Share of profit of investments accounted for using the equity method	314,295	197,359	187,234	27,232
Profit before income tax	4,707,800	6,148,183	6,813,461	990,978
Income tax expenses	(1,958,596)	(2,280,440)	(3,165,812)	(460,448)
Profit for the year	2,749,204	3,867,743	3,647,649	530,530

	Year ended December 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands, except per share data and percentages)			
Profit attributable to:				
Owners of the Company	2,464,682	3,336,752	2,837,007	412,626
Holders of Perpetual Capital Instruments	145,765	117,017	123,045	17,896
Non-controlling interests	138,757	413,974	687,597	100,007
	2,749,204	3,867,743	3,647,649	530,529
NON-GAAP FINANCIAL DATA				
EBITDA[1]	5,187,890	6,148,881	8,019,983	1,166,459
EBITDA margin[2]	36%	39%	41%	41%

Notes:

(1) Translation of Renminbi amounts to U.S. dollars was made at a rate of RMB6.8755 to US$1.00 as at December 31, 2018.

(2) EBITDA for any period consists of profit before other income and gains — net, depreciation and amortization expenses, finance costs — net, share of profit/loss of investments accounted for using equity method and income tax expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of 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 or other non-operating expenses/income. 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 period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. Interest expense excludes amounts capitalized. 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.

(3) EBITDA margin is calculated by dividing EBITDA by revenues for the relevant period, expressed as a percentage.

(4) For the purpose of consistent presentation with the consolidated financial statements for the year ended December 31, 2018, net exchange gains of RMB2,343,000 for the year ended December 31, 2016 and net exchange losses of RMB3,391,000 for the year ended December 31, 2017, which were previously presented under a separate line in the consolidated income statements for the years ended December 31, 2016 and 2017 respectively, are included in "other income and gains-net" in this section.

Consolidated Balance Sheet Information

	As of December 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
ASSETS				
Non-current assets				
Property and equipment	2,797,942	3,528,545	3,370,562	490,228
Land use rights	1,050,746	1,059,237	1,181,965	171,910
Investment properties	34,353,397	39,217,669	45,659,136	6,640,846
Investments accounted for using the equity method	2,605,100	4,187,143	4,127,443	600,312
Deferred income tax assets	359,998	367,842	499,343	72,626
Available-for-sale financial assets	413,250	462,507	—	—
Financial assets at fair value through other comprehensive income ("FVOCI")	—	—	348,461	50,682
Prepayments	724,667	1,207,135	—	—
	42,305,100	50,030,078	55,186,910	8,026,604
Current assets				
Properties under development	8,940,371	10,344,885	32,350,267	4,705,151
Completed properties held for sale	11,302,986	10,416,531	9,442,602	1,373,370
Contract assets	—	—	6,967	1,013
Trade and other receivables	4,568,119	10,193,184	16,252,686	2,363,855
Prepayments	1,417,199	4,149,405	2,014,617	293,014
Prepaid taxes	418,440	365,417	727,215	105,769
Financial assets at fair value through profit or loss	27,003	28,953	297,565	43,279
Restricted cash	1,174,497	575,538	935,935	136,126
Cash and cash equivalents	8,973,804	9,386,757	14,839,776	2,158,356
	36,822,419	45,460,670	76,867,630	11,179,933
Total assets	79,127,519	95,490,748	132,054,540	19,206,537
EQUITY				
Equity attributable to owners of the Company				
Share capital and share premium	2,683,046	2,066,162	1,164,125	169,315
Other reserves	654,900	656,982	681,076	99,058
Retained earnings	19,280,371	22,614,113	25,442,263	3,700,424
	22,618,317	25,337,257	27,287,464	3,968,797
Perpetual capital instruments	1,730,075	1,722,363	1,552,254	225,766
Non-controlling interests	1,591,857	2,414,569	3,965,222	576,718
Total equity	25,940,249	29,474,189	32,804,940	4,771,281

	As of December 31,			
	2016	2017	2018	2018
	RMB	RMB	RMB	US$
	(audited)	(audited)	(audited)	(unaudited)
	(in thousands)			
LIABILITIES				
Non-current liabilities				
Borrowings	22,490,090	25,780,008	34,380,408	5,000,423
Deferred income tax liabilities	4,041,526	4,733,771	206,007	29,962
Derivative financial instruments	—	—	6,130,190	891,599
	26,531,616	30,513,779	40,716,605	5,921,984
Current liabilities				
Trade and other payables	11,234,343	17,208,103	20,725,848	3,014,450
Advances from customers	4,073,472	3,818,693	—	—
Contract liabilities	—	—	16,444,184	2,391,707
Current income tax liabilities	3,701,501	4,720,124	6,642,105	966,054
Borrowings	7,536,083	9,755,860	12,977,220	1,887,459
Derivative financial instruments	110,255	—	—	—
Convertible bonds	—	—	1,743,638	253,602
	26,655,654	35,502,780	58,532,995	8,513,272
Total liabilities	53,187,270	66,016,559	99,249,600	14,435,256
Total equity and liabilities	79,127,519	95,490,748	132,054,540	19,206,537

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

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

In this section of the offering circular, references to "2016", "2017" and "2018" refer to our fiscal years ended December 31, 2016, 2017 and 2018, respectively.

OVERVIEW

We are a leading property developer in China specializing in the development and operation of high-quality, large-scale, integrated commercial and residential complexes. Our existing property projects are generally located in prime positions close to the city center of fast-growing cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province and Zhejiang Province as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality. We intend to focus our expansion in property development operations in cities in China that we believe have high growth potential. Our shares have been listed on the main board of the Hong Kong Stock Exchange since October 2009 and our market capitalization was approximately HK$18.4 billion as of July 11, 2019.

Our business model sets us apart from many property developers in China. We focus more on owning and operating retail properties, and our strategy is to sell all the residential properties and a portion of the commercial properties that we develop to generate cash flow for our business operations. We retain ownership of a significant portion of our commercial properties for long-term investment to generate recurring rental income and capture potential capital appreciation. We believe our business model allows us to diversify our revenue sources, generate steady recurring revenue and reduce our reliance on a particular sector of the real estate market. Our policy going forward will generally continue to follow our current practice with respect to properties for sale and properties to be retained for investment.

The total GFA of properties we delivered in 2016, 2017, 2018 was 1,179,029 square meters, 1,446,455 square meters and 1,420,718 square meters, respectively. We intend to retain an increasing portion of our retail properties for recurring rental income and for capital appreciation and to sell our residential properties for cash flow. Our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties. For the years ended December 31, 2016, 2017, 2018, our revenue from sales of properties was RMB12,530.0 million, RMB13,301.9 million and RMB16,667.4 million, respectively, representing approximately 87.6%, 85.3% and 85.1%, respectively, of our total revenue. As of December 31, 2016, 2017, 2018, we had a total leasable GFA of 2,531,984 square meters, 2,692,556 square meters and 2,856,744 square meters, respectively. For the years ended December 31, 2016, 2017, 2018, our income from property investment was RMB599.6 million, RMB856.2 million and RMB1,123.6 million, respectively, representing approximately 4.2%, 5.5% and 5.7%, respectively, of our total revenue. As of December 31, 2016, 2017, 2018, our income from property management services was RMB791.2 million, RMB947.9 million and RMB1,125.1 million, respectively, representing approximately 5.5%, 6.1% and 5.7%, respectively, of our total revenue.

Our revenue for the years ended December 31, 2016, 2017 and 2018 was RMB14,295.6 million, RMB15,592.6 million and RMB19,593.8 million, respectively, and our EBITDA was RMB5,187.9 million, RMB6,148.9 million and RMB8,020.0 million, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations tend to fluctuate from period to period. During 2016, 2017 and 2018, our revenue was RMB14,295.6 million, RMB15,592.6 million and RMB19,593.8 million, respectively, and the profit attributable to equity holders of our Company for the same periods was RMB2,464.7 million, RMB3,336.8 million and RMB2,837.0 million, respectively. During these periods, our revenue was primarily generated from the sales of the properties we developed. The number of properties that we can develop or complete during any particular period is limited due to substantial capital requirements for land acquisition, planning, design and construction, limited land supplies and lengthy development periods before positive cash flows may be generated. We do not recognize revenue until we complete and deliver our properties. The development process is also subject to weather conditions and the coordination of various processes, such as availability of construction materials and the approval process of various government authorities. In addition, we focus on developing comparatively large-scale integrated retail and residential complexes and the selling prices of properties in such large scale developments tend to increase as the overall development approaches completion and as construction and completion risk decreases for the purchasers. Seasonal variations have also caused fluctuations in our interim revenues 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.

Our business, financial condition and results of operation are also affected by a number of other factors, including the following:

Economic Growth, Speed of Urbanization and Demand for Properties in China

The economic growth, urbanization and rising standard of living in China have been the main driving forces behind the increasing market demand for properties. Currently, the real estate industry is regarded by the PRC government as one of China's pillar industries. It is significantly dependent, however, on the overall economic growth and the resultant consumer demand for properties. Because we target residential property buyers and retail property tenants and buyers primarily in second and third-tier emerging cities in China, we believe that the rate of urbanization and the overall economic growth in China are especially important to our operations. In addition, urbanization and overall economic growth in China will also impact the consumer demand for our retail rental properties and our occupancy rate, which will in turn affect our rental income and results of 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 in turn had a negative impact on property demand, average selling prices and rental prices in many areas of China since 2008. Although China and many other foreign economies have exhibited signs of recovery, the outlook for the world economy and financial markets remains uncertain. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world could lead to another global economic downturn and financial market crisis. It is difficult to determine the impact of any global economic slowdown and financial crisis on the property industry in China. If the global economic slowdown and financial market crisis continue or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Regulatory Measures in the Real Estate Industry in China

In response to concerns over the increase in property investment and the overheating of the property sector in the PRC, the PRC government from time to time introduces macroeconomic control policies to encourage or restrict development in the private property sector by regulating land grants, land utilization, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply and credit availability also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our and our customers' access to capital and the means by which we may finance property development. See "Risk Factors — Risks Relating to the Property Development Industry in China — We are subject to regulations implemented by the PRC Government, which may adopt further measures intended to curtail the overheating of the property market in China."

Ability to Acquire Suitable Land at Relatively Low Costs

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable returns. The fluctuation of land acquisition costs during 2016, 2017 and 2018 mainly resulted from the different locations of the parcels of land we acquired. Based on our current development plans, we believe we have sufficient land reserves for property developments for the next three years. We expect competition among developers for land reserves that are suitable for property development to remain intense. In addition, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights may further increase competition for undeveloped land and land acquisition costs. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. See "Risk Factors — Risks Relating to Our Business — We may not have adequate resources to fund land acquisitions or for appropriate partners to fund land acquisitions or property developments, or to service our financing obligations" and "— We may not be able to obtain land reserves that are suitable for our model of project development."

Pre-sales

Pre-sales constitute the most important source of our operating cash inflow during project development. During 2016, 2017 and 2018, our pre-sale cash inflow amounted to RMB12,281.2 million, RMB13,212.6 million and RMB29,287 million, respectively. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain requirements and requires us to use the pre-sale proceeds to develop the property projects that are 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-sale imposed by the PRC government, market demand for our properties subject to pre-sale 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 impact our ability to finance our continuing property developments.

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of December 31, 2016, 2017 and 2018, our outstanding bank and other borrowings and finance and RMB22,995.0 million lease liabilities amounted to RMB13,776.1 million, RMB18,422.5 million and RMB30,325.9 million, respectively. During each of 2016, 2017 and 2018, the average interest rate on our bank and other borrowings and finance lease liabilities, computed as our total interest expenses for each period divided by our monthly average outstanding bank and other borrowings and finance lease liabilities in that period was 5.55%, 5.81% and 6.54%, respectively, and our aggregate interest expenses on bank and other borrowings and finance lease liabilities during the same periods amounted to RMB917.5 million, RMB967.8 million and RMB1,684.7 million, respectively. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in those benchmark lending rates will increase the interest costs for 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 developments. See "Risk Factors — Risks Relating to Our Business — We may not have adequate resources to fund land acquisitions or for appropriate partners to fund land acquisitions or property developments, or to service our financing obligations."

When needs arise, we may also seek financing in the international capital markets similar to our issue of the First 2021 Notes, the 2020 Notes, the Second 2021 Notes and the Third 2021 Notes, which may give us a longer maturity term but we may have to bear higher interest rates than those obtained on our bank or other commercial borrowings.

Product Mix and Geographic Location

We have in the past retained certain portions of our retail properties for long-term investment purposes, and intend in the future to retain an increasing portion of our retail properties for recurring rental income and/or for capital appreciation. We have historically sold, and intend to continue to sell, our residential properties to purchasers for immediate cash flow. Accordingly, our results of operations and the source and amount of cash from our operations may vary significantly from period to period depending on the type of properties we sell or lease out. For 2016, 2017 and 2018, our revenue from sales of properties was RMB12,530.0 million, RMB13,301.9 million and RMB16,667.4 million, respectively, with a gross profit margin of approximately 33%, 33% and 39%, respectively.

For 2016, 2017 and 2018, our income from property investment was RMB599.6 million, RMB856.2 million and RMB1,123.6 million, respectively, with a gross margin of approximately 78%, 80% and 82%, respectively. In addition, retail properties generally command higher selling prices than residential properties, therefore the proportion of retail and residential properties sold in any given period may also affect our revenue from period to period. Our results of operations and cash flows will also vary depending on the proportion of our investment properties held for lease and properties held for sale, as investment properties generate steady recurring income while properties for sale produce relatively larger but non-recurring revenue.

Our results of operations are also affected by the geographic location of our properties. Properties located in different cities or regions often command different selling prices and land acquisition and construction costs and thus result in different gross margins. Our properties located at first-tier cities typically command higher average selling prices per sq.m. and gross margins than our properties located at second- or third-tier cities.

Valuation of Our Investment Properties

We assess the fair value of our investment properties at every reported balance sheet date. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties are accounted for in our income statements in the period in which they arise See "— Critical Accounting Policies — Fair Value Gains on Investment Properties." Based on independent valuations, we recognize the aggregate fair market value of our investment properties on our consolidated balance sheet, and recognize changes in fair values of investment properties and the relevant deferred tax in our consolidated income statement. For the years ended December 31, 2016, 2017 and 2018, we recognized fair value gains on our investment properties of RMB1,519.9 million, RMB2,135.4 million and RMB2,500.5 million, respectively. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rates, interest rates, inflation rates, urbanization rates and disposable income levels, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. If the fair value of our investment properties declines, our profitability would be materially and adversely affected. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Land and Construction Costs

Our results of operations are affected by key components of our cost of sales, such as land costs and construction costs. In 2016, 2017 and 2018, our land costs were RMB2,614.9 million, RMB2,253.9 million and RMB2,285.6 million, respectively, and our land cost as a percentage of our property sales revenue was approximately 20.9%, 16.9% and 13.7%, respectively. Land premiums have generally been increasing over the past 10 years in China. We believe that land premiums will continue to rise as the PRC economy continues to develop. Another key component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. Cost of materials constitutes the most important item in our construction costs, and exceeds our construction labor cost and project design cost. Historically, for a substantial part of our purchases of construction materials, we used a centralized procurement process to help increase our negotiating power and lower our unit cost for construction materials. Going forward, as a result of changes to our procurement policy to enhance efficiency and project management, we will centralize our purchases of only steel and key equipment such as escalators, elevators and air conditioning units, and our contractors will be responsible for the procurement of cement under the construction contracts. Despite the efficiencies and pricing advantages of our volume purchases, any rising costs for construction materials will impact our cost of sales and overall project costs. As a result, fluctuations in the prices of our construction materials have had, and will continue to have, a significant impact on our results of operations.

CRITICAL ACCOUNTING POLICIES

The selection of critical accounting policies, the estimates and judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial statements. We believe that the following critical accounting policies involved the most significant estimates and judgments in the preparation of our consolidated financial statements. We adopted HKFRS 9 and HKFRS 15 on January 1, 2018.

Adoption of HKFRS 9

We have assessed which business models apply to the financial assets held by us and have classified our financial instruments into the appropriate HKFRS 9 measurement categories including 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.

We held certain equity investments in unlisted companies which were classified as available-for-sale financial assets as at December 31, 2017. Included in this investment portfolio was an investment made to a real estate agency company which got listed on The Stock Exchange of Hong Kong Limited in July 2018. We may not hold this investment for long term and thus has classified it as financial assets at fair value through profit or loss as at January 1, 2018 and the corresponding accumulated fair value gain of this investment was reclassified from other reserves to retained earnings as at January 1, 2018. Other investments were classified as financial assets at fair value through other comprehensive income as at January 1, 2018 because these investments were held as long-term strategic investments that were not expected to be sold in the short to medium term.

HKFRS 9 requires an impairment on trade and other receivables and contract assets that are not accounted for at fair value through profit or loss to be recorded based on an expected credit loss model either on a 12-month basis or a lifetime basis. We applied the simplified approach and recorded lifetime expected losses on our trade receivables and contract assets. We applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on our other receivables.

The following describes our updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

We classify our financial assets into (i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and (ii) 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 equity instruments that are not held for trading, this will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement

At initial recognition, we measure 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 profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. We categorize our debt instruments as amortised cost, which 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 recognized in the consolidated statement of comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity investments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognized in profit or loss accounts as other income when our right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other income and gains – net' in profit or loss accounts as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

We assess on a forward looking basis the expected credit losses associated with our financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations.

We elected to use a modified retrospective approach for transition which allows us to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. We elected to apply the practical expedient for completed contracts and did not restate the contracts completed before January 1, 2018, referred to as open contracts, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Contract liabilities for progress billing recognized in relation to property development activities were previously presented as advanced proceeds received from customers.

Accounting for property development activities

In prior reporting periods, we 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 us due to contractual reasons and we have an enforceable right to payment from the customer for performance completed to date, we recognize revenue as the performance obligations are 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. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognized in profit or loss is recognized 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 facilities or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

We have assessed the current sale agreements used by us in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the majority of the sales of properties.

The following describes the our updated revenue from contracts with customers' policy to reflect the adoption of HKFRS 15:

Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, we obtain 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 recognized 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 recognized as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

We recognize the incremental costs of obtaining a contract with a customer within contract assets if we expect to recover those costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering of services in the ordinary course of our activities. Revenue is shown, net of discounts and after eliminating sales with our companies. We recognize revenue when specific criteria have been met for each of our activities, as described below.

(i) Sales of properties

Revenues are recognized 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 our performance (a) provides all of the benefits received and consumed simultaneously by the customer; or (b) creates and enhances an asset that the customer controls as we perform; or (c) do not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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.

The progress towards complete satisfaction of the performance obligation is measured based on our efforts or inputs to the satisfaction of the performance obligation that best depict our performance in satisfying the performance obligation.

In determine the transaction price, we adjust the promised amount of consideration for the effect of a financing component if it is significant.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognized when the purchaser obtains the physical possession or the legal title of the completed property and we have present right to payment and the collection of the consideration is probable.

(ii) Investment and operation of commercial properties

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income — Property lease income from properties letting under operating leases is recognized on a straight line basis over the term of the lease.

Hotel operations – Revenues from hotel operations are recognized in the accounting period in which the related services are rendered.

(iii) Property management

Revenues from rendering of property management services are recognized in the accounting period in which the related services are rendered.

We prepare our consolidated financial information in accordance with HKFRS. The preparation of financial information in conformity with HKFRS requires us to make judgments, estimates and assumptions that affect:

- the reported amounts of our assets and liabilities at the end of each fiscal year;
- the disclosure of our contingent assets and liabilities at the end of each fiscal year; and
- the reported amounts of revenue and expenses during each fiscal year.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our financial information, you should consider:

- our selection of critical accounting policies;
- the judgment and other uncertainties affecting the application of such policies; and
- the sensitivity of reported results to changes in conditions and assumptions.

We believe the following accounting policies are the most significant or involve a higher degree of judgment and estimates used in the preparation of our consolidated financial information.

Investment Properties

We hold certain completed properties for long-term rental yields or for capital appreciation or both, but not for our own occupation. These completed properties are classified as completed investment properties. The properties that are being constructed for investment purposes are classified as investment properties under construction.

Investment properties are initially measured at cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value, unless the fair value could not be reliably determined on a continuing basis. The investment properties are measured as cost if the fair value can not be reliably determined on a continuing basis.

The best evidence of fair value is the current prices in an active market for the properties with similar leases and other contracts. In the absence of such information, we determine the amount within a range of reasonable fair value estimates, which are based on information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- discounted cash flow projections based on estimates of future cash flows, derived from the terms of any existing leases and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when such fair value is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management mainly considers the factors set forth below, among others:

- provisions of the construction contract;
- stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- level of reliability of cash inflows after completion;
- development risk specific to the property;
- past experience with similar constructions; and
- status of construction permits.

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 this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. These valuations are performed periodically by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair values of investment properties are recognized as "fair value gains/losses on investment properties" in our consolidated statement of comprehensive income.

Properties under Development and Completed Properties Held for Sale

For accounting purposes, properties under development include only properties for which we have obtained the relevant land use rights certificates and the relevant construction permits. Properties under development and completed properties for sale are stated at the lower of cost and net realizable value. Development cost of property mainly comprises construction costs, amortization of land use rights during the construction period, capitalized borrowing costs on qualifying assets and professional fees during the development period. Net realizable value for properties under development takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost of completion. Net realizable value for 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 estimates based on prevailing market conditions. Significant estimates and judgment by management are therefore required in such cases to determine net realizable value. Land use rights before their amortization into properties under development are carried as land use rights in our consolidated balance sheets.

Borrowing Costs

We capitalize our borrowing costs as part of the cost of sales for a project to the extent that such costs are directly attributable to the acquisition and construction of such project. In general, we capitalize the borrowing costs incurred from the commencement of the construction upon receipt of the construction permit for the relevant project until the relevant project is ready for delivery. Borrowing costs incurred after the completion of construction or otherwise not directly attributable to the acquisition and construction of such project are recorded on our consolidated statement of comprehensive income as finance costs in the period in which they are incurred.

Current and Deferred Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where we and our 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. However, 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 the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

LAT

LAT is recognized as tax expense to the extent that it is probable that we have the obligation to pay such tax to the PRC tax authorities. When we pre-sell properties under development and receive advances from pre-sales of properties, we prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities. The actual LAT liabilities are, however, subject to the determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provision is sufficient to cover all actual LAT obligations as at each balance sheet date in respect of our past LAT liabilities. Our prepaid LAT is recorded as a part of "prepaid taxes" under current assets on our consolidated balance sheets. In 2016, 2017 and 2018, we prepaid LAT at 1.0% to 3.5% of pre-sale of properties as required by the local tax authorities. In 2016, 2017 and 2018, we made LAT payments of RMB301.2 million, RMB374.8 million and RMB526.6 million, respectively. We also made LAT provisions of RMB806.5 million, RMB875.6 million and RMB1,387.4 million during the years ended December 31, 2016, 2017 and 2018, respectively. Provisions for unsettled LAT liabilities are recorded as a part of "income tax payables" on our consolidated balance sheets. Until the PRC government further clarifies its LAT regulations and enforces them on a uniform basis, our actual LAT liabilities will continue to be subject to a degree of uncertainty. We endeavor to make full provision for our LAT liability despite the current uncertainty.

CERTAIN INCOME STATEMENT ITEMS

Revenue

We derived our revenue during 2016, 2017 and 2018 primarily from the sales of the properties that we developed. We recognize our revenue after the completed properties have been sold and delivered, with all relevant permits and certificates having been obtained and typically at the time when the risks and rewards of the property has been passed to the purchaser. Such revenue recognition is made on a property by property basis as we complete and deliver each property. As is customary in the PRC property industry, we pre-sell our properties prior to their completion in accordance with PRC pre-sale regulations. We do not, however, recognize the sales of properties until we have completed the construction of these properties and the properties have been delivered to the purchasers. Typically there is a time gap ranging from 10 to 24 months between the time we commence pre-sale of the properties under development and the delivery of the completed properties. We record the proceeds from the pre-sold properties as "advances from customers" under current liabilities on our consolidated balance sheets, and as "advances from customers" under "cash generated from operating activities" on our consolidated cash flow statements. Revenue from property leasing of our investment properties is recognized on a straight-line basis over the term of the relevant lease. Revenue from property management services is recognized in the period when services are rendered. Revenue from other services related to property development is recognized when services are rendered.

The table below sets forth, for the periods and projects indicated, the revenue, the total GFA of properties we delivered and the average selling prices per square meter for these properties, as measured by dividing the revenue by the aggregate GFA delivered.

Location of Projects		Year ended December 31, 2016			Year ended December 31, 2017			Year ended December 31, 2018		
		Revenue (RMB in thousands)	GFA Sold & Delivered (Sq.m.)	Average selling price (RMB/ Sq.m.)	Revenue (RMB in thousands)	GFA Sold & Delivered (Sq.m.)	Average selling price (RMB/ Sq.m.	Revenue (RMB in thousands)	GFA Sold & Delivered (Sq.m.)	Average selling price (RMB/ Sq.m.)
Yangtze River Delta	commercial	6,903,013	431,838	15,985	4,082,633	251,227	16,251	3,636,458	267,673	13,585
	residential	267,788	45,559	5,878	3,074,372	415,529	7,399	6,607,513	469,542	14,072
Bohai Bay	commercial	427,471	62,464	6,843	953,169	84,758	11,246	1,130,500	96,967	11,659
	residential	1,664,158	281,866	5,904	3,159,965	358,558	8,813	144,760	14,555	9,946
Central and Western Region										
	commercial	66,596	11,965	5,566	519,430	80,213	6,476	699,116	93,075	7,511
	residential	951,765	189,839	5,014	153,445	35,519	4,320	862,458	163,817	5,265
West Strait Economic Zone .	commercial	1,718,601	66,401	25,882	313,599	31,372	9,996	1,039,691	80,966	12,841
	residential	530,610	89,097	5,955	1,045,266	189,279	5,522	574,642	72,011	7,980
Others	residential							1,972,277	162,112	12,166
Total	commercial	9,115,681	572,668	15,918	5,868,831	447,570	13,113	6,505,765	538,681	12,077
	residential	3,414,321	606,361	5,631	7,433,048	998,885	7,441	10,161,650	882,037	11,521
Total		12,530,002	1,179,029	10,627	13,301,879	1,446,455	9,196	16,667,415	1,420,718	11,732

For 2016, 2017 and 2018, our revenue was primarily generated from sales of our developed properties, which amounted to approximately 87.6%, 85.3% and 85.1% of our revenue, respectively. Our rental income from investment properties and income from property management services and income from other property development related services comprised 12.4%, 14.7% and 15.1% of our revenue for the year ended December 31, 2016, 2017 and 2018. Rental income from investment properties and income from our property management services increased substantially between 2016, 2017 and 2018 following commencement of rental and related property management operations at more of our properties. Income from other property development related services increased substantially in 2017 mainly due to the increase in hotel operations and ancillary services. Income from other property development related service for 2017 and 2018 increased because of the year on year increase in income from our hotel operation.

Cost of Sales

Cost of sales comprises primarily costs incurred directly for our property development, including land acquisition costs, construction costs and other costs. The table below sets forth the breakdown by these categories of our cost of sales for the periods indicated.

	Year ended December 31,					
	2016		2017		2018	
	(RMB in millions)	(% of cost of sales)	(RMB in millions)	(% of cost of sales)	(RMB in millions)	(% of cost of sales)
Land acquisition	2,164.9	24	2,257.9	22	2,285.8	19
Construction costs and other costs	6,902.6	76	8,113.7	78	9,755.4	81
Total	9,067.5	100	10,371.6	100	12,041.2	100

Land acquisition costs. Land acquisition costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premium, other land-related taxes and government surcharges, and relocation and resettlement cost. In addition to PRC economic development and property market conditions, our land acquisition costs are affected by the location of the property projects and the timing of acquisition. In 2016, 2017 and 2018, our average land acquisition costs per square meter of GFA were RMB2,217.8, RMB1,558.2 and RMB1,608.9, respectively, as measured by dividing the aggregate land costs recognized in our consolidated statement of comprehensive income by the total GFA of properties delivered within these periods.

Land acquisition costs, as part of our cost of sales, are recognized upon the completion and delivery of relevant properties to the purchasers. In 2016, we sold and delivered most of our projects in Shanghai, Hangzhou, Dongying, Quanzhou, Tianjin, Changzhou, Xiamen and Xinxiang. Our land acquisition costs increased in 2016 primarily because we acquired more land in Shanghai and other first and second tier cities. In 2017, we sold and delivered most of our completed projects in Shanghai, Zhenjiang, Tianjin, Jiaozhou, Luoyang and Fuyang. Our land acquisition costs increased in 2017 primarily because we acquired more land in first and second tier cities. In 2018, we sold and delivered most of our completed projects in Hangzhou, Shanghai, Ningbo, Haikou and Xuzhou. Our land acquisition costs increased in 2018 primarily because we acquired more land in Yangtze River Delta.

Construction costs and other costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. Our construction costs are affected by a number of factors such as price movements of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. The price fluctuation in construction materials during 2016, 2017 and 2018 affected our construction costs and our gross profit margin. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, were accounted for as part of the contractor fees upon settlement with the relevant contractors. A portion of our properties completed and delivered in 2016, 2017 and 2018 were interior-furnished units, which also generated more construction costs than non-interior-furnished units, although interior-furnished units tend to generate higher selling prices. Other costs include capitalized interests, business tax and other levies and others.

The table below sets forth, for the periods indicated, our cost of sales by project and by business segment.

(RMB in million)	**Year ended December 31**		
	2016	**2017**	**2018**
Wuxi Yuqi Powerlong Riverside Garden	105.8	5.1	108.0
Xinxiang Powerlong City Plaza	536.6	30.4	453.8
Jinjiang Powerlong City Plaza	288.0	193.2	423.9
Hangzhou Powerlong City Plaza	648.4	430.1	360.6
Shanghai Caolu Powerlong City Plaza	21.1	58.2	5.2
Shanghai Huaxin Hongqiao Powerlong City Plaza	578.5	94.5	194.0
Penglai Powerlong Marine Immortal Street	170.8	233.4	264.0
Shanghai Fengxian Powerlong City Plaza	139.2	17.7	37.7
Qingdao Jiaozhou Powerlong City Plaza	80.3	36.7	26.1
Shanghai Jiading Powerlong Plaza	388.6	18.1	219.4
Hangzhou Fuyang Powerlong Plaza	149.1	115.9	19.2
Hangzhou Binjiang Powerlong City	445.0	56.7	46.8
Shanghai Qibao Powerlong City	1,181.1	432.6	457.6
Shanghai Qingpu Powerlong Plaza	310.7	374.7	223.2
Quanzhou Yongchun Powerlong City Plaza	69.7	613.9	80.0
Shandong Dongying Powerlong Plaza	708.9	35.3	28.0
Hangzhou Lin'an Powerlong Xuhui City	—	—	423.2
Luoyang Powerlong City Plaza	199.3	187.3	84.6
Xiamen Powerlong City Plaza	43.1	—	14.6
Tianjin Powerlong City	741	1,628.9	234.2
Zhangzhou Yunxiao Powerlong Project	45.8	118.2	19.6
Yantai Laishan Powerlong Plaza	160.1	40.4	22.9
Changzhou Powerlong City Plaza	164.9	135.4	146.8
Chongqing Powerlong City Plaza	20.8	154.5	203.9
Zhenjiang Powerlong City Plaza	231.2	700.9	371.7
Xiamen Powerlong One Mall	646.9	16.5	321.1
Shanghai Wujing Powerlong Plaza	189.0	262.7	69.4

(RMB in million)	Year ended December 31		
	2016	**2017**	**2018**
Shanghai Lingang Powerlong Mansion	—	463.1	124.7
Huai'an Powerlong Land	—	69.4	11.5
Jiaozhou Powerlong Art Villa	—	545.2	172.5
Fuyang Powerlong Plaza	—	1,755.4	394.5
Hangzhou Dajiangdong Powerlong Plaza	—	—	1,220.9
Xuzhou Powerlong Mansion	—	—	870.5
Ningbo Powerlong Mansion	—	—	618.4
Bazhong Powerlong Mansion	—	—	171.3
Hainan Universal Powerlong City Plaza	—	—	962.8
Yantai Haiyang Powerlong City Plaza	1.1	71.9	40.1
Bengbu Powerlong City Plaza	0.4	—	84.2
Qingdao Chengyang Powerlong City Plaza	3.9	2.0	148.4
Others	169.8	60.7	693.7
Subtotal	8,439.1	8,959.0	10,373.0
Property investment	130.4	174.2	205.0
Property management services	534.4	760.8	874.8
Other Service	413.6	473.6	588.4
Total	9,517.5	10,367.6	12,041.2

During the relevant periods, we incurred a majority of our cost of sales in the property development segment. Cost of sales for our property management services, property investment and other related services segments comprised 13.9% of our overall cost of sales for the year ended December 31, 2018. Our cost of sales generally increased during the relevant periods as our business operations expanded.

Fair Value Gains on Investment Properties

We hold certain properties such as retail units in our commercial complexes for recurring rental income and/or capital appreciation. Our investment properties are revalued periodically on an open market value or existing use basis by an independent property valuer using the investment method. This method is appropriate for valuing investment properties as it is able to reflect the value of property during the lease period of the property. Investment properties are initially measured at cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value, unless the fair value cannot be reliably determined on a continuing basis. The investment properties are measured as cost if the fair value could not be reliably determined on a continuing basis. Prior to 2011, our investment properties under construction were measured at cost. Our management, after consulting an independent qualified valuer, concluded that the fair value of certain investment properties under construction as of December 31, 2011 could not be measured at a reasonably accurate level. Any appreciation or depreciation in our investment property value is recognized as a fair value gain or loss in our consolidated statement of comprehensive income. We started to hold investment properties in December 2006 when we completed the ground floor of Fuzhou Powerlong Plaza and decided to hold more investment properties when we completed the whole project in 2007. As of December 31, 2016, 2017 and 2018, we held completed investment properties with a total leasable GFA of 2.5 million square meters, 2.7 million square meters and 2.7 million square meters, respectively. For the years ended December 31, 2016, 2017 and 2018, we recognized fair value gains on our investment properties in the amount of RMB1,519.9 million, RMB2,135.4 million and RMB2,500.5 million, respectively. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. See "Critical Accounting Policies — Investment properties."

Selling and Marketing Costs

Selling and marketing costs comprise primarily advertising and promotion expenses, sales commissions and other expenses relating to the marketing and sales of our properties, including salaries for our sales and marketing personnel, advertisement on television and in newspapers, magazines and on billboards.

Administrative Expenses

Administrative expenses comprise primarily administrative staff costs, depreciation, amortization, land use tax and charitable contributions.

Other Income and Gains — Net

Other income and gains — net comprise primarily fair value gains on remeasurement of joint ventures and interest income.

Finance Costs

Finance costs comprise primarily interest expenses on bank borrowings and other indebtedness, net of capitalized interest relating to properties under development. See "Critical Accounting Policies — Borrowing Costs" above. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

Income Tax Expenses

Income tax expenses is comprised of primarily PRC corporate income tax and LAT.

Effective since January 1, 2008, PRC companies are subject to the new national corporate income tax of 25% unless the company qualifies under certain limited exceptions pursuant to the new PRC Corporate Income Tax Law adopted by the National People's Congress in March 2007. Our property developments are subject to LAT. We make LAT provisions based on our calculation in accordance with relevant government regulations.

The following table sets forth our provisions for corporate income tax and LAT for the periods indicated.

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in thousands)		
Current income tax			
PRC corporate income tax	770,303	1,162,386	1,485,982
PRC land appreciation tax	806,524	701,850	1,467,583
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	(5,344)	—	—
Deferred income tax			
PRC corporate income tax	387,113	242,448	292,393
PRC land appreciation tax	—	173,756	(80,146)
Total	1,958,596	2,280,440	3,165,812

During 2016, 2017 and 2018, with respect to our projects, LAT was levied at progressive rates ranging from 30% to 60% on the appreciated value of the land. See "Regulation — Major Taxes Applicable to Property Developers — LAT."

The following table sets forth our weighted average applicable PRC corporate income tax rate and their calculation for the periods indicated.

	Year ended December 31,		
	2016	2017	2018
	(RMB in thousands)		
Profit before income tax	4,707,800	6,148,183	6,813,461
Calculated at applicable corporate income tax rate	1,382,790	1,721,418	1,798,150
Effect of expenses not deductible for income tax	8,797	92,443	304,837
Effect of income not subject to income tax	(10,466)	(160,492)	(9,285)
Share of profit of investments accounted for using the equity method	(78,574)	(49,340)	(46,809)
Utilisation of tax losses previously not recognized	—	(24,819)	(28,356)
Tax losses for which no deferred income tax asset was recognized	56,500	44,526	106,697
PRC land appreciation tax deductible for PRC corporate income tax purposes	(201,631)	(218,902)	(346,859)
	1,157,416	1,404,834	1,778,375
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	(5,344)	—	—
PRC land appreciation tax	806,524	875,606	1,387,437
Total	1,958,596	2,280,440	3,165,812

The fluctuation of our weighted average applicable PRC corporate income tax rate in 2016, 2017 and 2018 was primarily the result of a change in the profitability of our subsidiaries in the respective tax jurisdictions and reflected the length of time it generally took to complete a property development project.

RESULTS OF OPERATIONS

The table below summarizes our consolidated results in absolute terms and as a percentage of our revenue for 2016, 2017 and 2018.

	Year Ended December 31,					
	2016		2017		2018	
	(RMB in millions, except per share data and percentages data)					
Revenue	14,295.6	100.0%	15,592.6	100.0%	19,593.8	100%
Cost of sales	(9,517.5)	(66.6%)	(10,367.6)	(66.5%)	(12,041.2)	(61.5%)
Gross profit	4,778.1	33.4%	5,225.0	33.5%	7,552.6	38.5%
Fair value gains on investment properties — net	1,519.9	10.6%	2,135.4	13.7%	2,500.5	12.8%
Selling and marketing costs	(480.8)	(3.4%)	(500.1)	(3.2%)	(785.9)	(4.0%)
Administrative expenses	(756.9)	(5.3%)	(895.1)	(5.7%)	(1,480.7)	(7.6%)
Other income and (losses)/gains — net	9.9	0.1%	561.6	3.6%	216.4	1.1%
Exchange (losses)/gains — net	2.3	0.0%	(3.4)	(0.0%)	—	—
Operating profit	5,072.5	35.5%	6,523.4	41.8%	8,002.9	40.8%
Finance costs — net	(679.0)	(4.7%)	(572.6)	(3.7%)	(1,376.7)	(7.0%)
Share of profit of investments accounted for using the equity method	314.3	2.2%	197.4	1.3%	187.2	1.0%
Profit before income tax	4,707.8	32.9%	6,148.2	39.4%	6,813.4	34.8%
Income tax expense	(1,958.6)	(13.7%)	(2,280.4)	(14.6%)	(3,165.8)	(16.2%)
Profit for the year/period	2,749.2	19.2%	3,867.8	24.8%	3,647.6	18.6%
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Change in value of available-for-sale financial assets	11.2	0.1%	30.2	0.2%	—	—
Currency translation differences	—	—	(16.3)	(0.1%)	15.1	0.1%
Items that will not be reclassified to profit or loss:						
Changes in the fair value of financial assets at fair value through other comprehensive income	—	—	—	—	0.2	0.0%
Other comprehensive income for the year/period, net of tax	11.2	0.1%	13.9	0.1%	15.3	0.1%
Total comprehensive income for the year/period	2,760.4	19.3%	3,881.7	24.9%	3,662.9	18.7%
Profit attributable to:						
Owners of the Company	2,464.7	17.2%	3,336.8	21.4%	2,837.0	14.5%
Holder of Perpetual Capital Instruments	145.8	1.0%	117.0	0.8%	123.0	0.6%
Non-controlling interests	138.7	1.0%	414.0	2.7%	687.6	3.5%
	2,749.2	19.2%	3,867.8	24.8%	3,647.6	18.6%
Total comprehensive income attributable to:						
Owners of the Company	2,475.8	17.3%	3,350.7	21.5%	2,852.3	14.6%
Holder of Perpetual Capital Instruments	145.8	1.0%	117.0	0.8%	123.0	0.6%
Non-controlling interests	138.8	1.0%	414.0	2.7%	687.6	3.5%
	2,760.4	19.2%	3,881.7	24.9%	3,662.9	3,662.8

Business Segments

We are organized into four business segments:

- Property development;
- Property management services;
- Property investment; and
- Other property development related services, namely, hotel operations, department store operations, decoration services provided by Powerlong Decoration and other ancillary services complementary to our property development and property management service businesses.

The following table indicates our revenue by business segment for the periods indicated.

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in millions)		
Property development	12,530.0	13,301.9	16,667.4
Property management services	791.2	947.9	1,125.1
Property investment	599.6	856.2	1,123.6
Other property development related services	374.8	486.6	677.7
Total	14,295.6	15,592.6	19,593.8

2018 Compared to 2017

Revenue. Our revenue increased by RMB4,001.2 million, or 25.7%, to RMB19,593.8 million for the year ended December 31, 2018 from RMB15,592.6 million for the year ended December 31, 2017. The increase was primarily attributable to an increase in revenue from each business category.

- *Property Development.* Our revenue generated from property development increased by RMB3,365.5 million, or 25.3%, to RMB16,667.4 million in the year ended December 31, 2018 from RMB13,301.9 million in the year ended December 31, 2017. This was mainly attributable to an increase in revenue as a result of an increase in GFA delivered for properties as compared to the same period in 2017.

- *Property Investment.* Our revenue generated from property investment increased by RMB267.4 million, or 31.2%, to RMB1,123.6 million in the year ended December 31, 2018 from RMB856.2 million in the year ended December 31, 2017. The increase was primarily due to increased market penetration in order to meet local consumer demands as a result of continued enhancement in quality of our commercial property operations services.

- *Property Management Services.* Our revenue generated from property management services increased by RMB177.2 million, or 18.7%, to RMB1,125.1 million in the year ended December 31, 2018 from RMB947.9 million in the year ended December 31, 2017. The increase was primarily due to an increase in the number of commercial and residential properties managed by us.

- *Other Property Development Related Services.* Our revenue generated from other property development related services increased by RMB191.1 million, or 39.3%, to RMB677.7 million in the year ended December 31, 2018 from RMB486.6 million in the year ended December 31, 2017. The increase was primarily due to the year-on-year increase in income from our hotel operations.

Cost of sales. Our cost of sales increased by RMB1,673.6 million, or 16.1%, to RMB12,041.2 million in the year ended December 31, 2018 from RMB10,367.6 million in the year ended December 31, 2017. The increase was primarily due to the increase in total costs as a result of the increase in total GFA of properties sold and delivered in the year ended December 31, 2018.

Gross profit. Our gross profit increased by RMB2,327.5 million, or 44.5%, to RMB7,552.6 million in the year ended December 31, 2018 from RMB5,225.1 million in the year ended December 31, 2017. Our gross profit margin increased from 33.5% for the year ended December 31, 2017 to 38.5% for the year ended December 31, 2018.

Fair value gains on investment properties. Fair value gains on our investment properties increased by RMB365.1 million to RMB2,500.5 million in the year ended December 31, 2018 from RMB2,135.4 million in the year ended December 31, 2017. The increase in revaluation gains was mainly due to the appreciation in value of investment properties located in established business districts.

Selling and marketing costs. Our selling and marketing expenses increased by RMB285.8 million, or 57.1%, to RMB785.9 million in the year ended December 31, 2018 from RMB500.1 million in the year ended December 31, 2017. The increase was primarily due to our business expansion coupled with the expansion of the scale of the projects we sold and managed during the year ended December 31, 2018 as compared to the same period in 2017.

Administrative expenses. Our administrative expenses increased by RMB585.6 million, or 65.4%, to RMB1,480.7 million in the year ended December 31, 2018 from RMB895.1 million in the year ended December 31, 2017. The increase was primarily due to an increase in the number of our management and operational staff as a result of our expanded business operations and scale of the projects we sold and managed.

Other income and gains — net. Our other gains — net in the year ended December 31, 2018 amounted to RMB216.4 million.

Finance income/(costs) — net. We had finance costs of RMB1,376.7 million in the year ended December 31, 2018 compared to finance costs of RMB572.6 million in the year ended December 31, 2017. This is primarily as a result of our net foreign exchange losses on our financing activities, as well as increased interest expenses in relation to our bank borrowings, corporate bonds and senior notes.

Share of Profit of Investments Accounted for Using the Equity Method. For the year ended December 31, 2018, share of post-tax profit of investments accounted for using the equity method decreased by RMB10.2 million, or 5.2%, to RMB187.2 million in the year ended December 31, 2018 from RMB197.4 million for the corresponding period in 2017. The decrease was mainly due to the decrease of related profit of joint ventures.

Income tax. Our income tax expenses increased by RMB885.4 million, or 38.8%, to RMB3,165.8 million in the year ended December 31, 2018 from RMB2,280.4 million in the year ended December 31, 2017, due to the increase in PRC corporate income tax and land appreciation tax.

Profit for the year. Our profit for the year decreased by RMB220.1 million, or 5.7%, to RMB3,647.6 million in the year ended December 31, 2018 from RMB3,867.7 million in the year ended December 31, 2017.

Non-controlling interests. Our profit attributable to non-controlling interests in the year ended December 31, 2018 was RMB687.6 million and our profit attributable to non-controlling interests in the year ended December 31, 2017 was RMB414.0 million.

Profit attributable to our equity holders decreased by RMB499.8 million, or 15.0%, to RMB2,837.0 million in the year ended December 31, 2018 from RMB3,336.8 million in the year ended December 31, 2017.

2017 Compared to 2016

Revenue. Our revenue increased by RMB1,297.0 million, or 9.1%, to RMB15,592.6 million for the year ended December 31, 2017 from RMB14,295.6 million for the year ended December 31, 2016. The increase was primarily attributable to an increase in income from each business segment.

- *Property Development*. Our revenue generated from property development increased by RMB771.9 million or 6.2% to RMB13,301.9 million in the year ended December 31, 2017 from RMB12,530.0 million in the year ended December 31, 2016. There was a 22.7% increase in the GFA sold and delivered to 1,446,455 square meters in the year ended December 31, 2017 from 1,179,029 square meters in the year ended December 31, 2016. The increase was attributable to the increase in sales of residential properties. Major projects completed and delivered in the year ended December 31, 2017 with higher average selling prices included Shanghai Qibao Powerlong City, Shanghai Baoshan Powerlong Plaza, Shanghai Lingang Powerlong Mansion, Shanghai Jiading Powerlong Plaza, Hangzhou Binjiang Powerlong City and Xiamen Powerlong One Mall.

- *Property Management Services*. Our revenue generated from property management services increased by RMB156.7 million, or 19.8%, to RMB947.9 million in the year ended December 31, 2017 from RMB791.2 million in the year ended December 31, 2016. The increase was primarily generated from the provision of property management services and rental assistance services to projects developed by us.

- *Property Investment*. Our revenue generated from property investment increased by RMB256.6 million, or 42.8%, to RMB856.2 million in the year ended December 31, 2017 from RMB599.6 million in the year ended December 31, 2016. In addition to the increasing GFA of properties held and commercial and residential properties managed by us, as a result of the continuous enhancement of our commercial operating capabilities, our revenue from property investment increased as a result of a higher number of new tenants.

- *Other Property Development Related Services*. Our revenue generated from other property development related services increased by RMB111.8 million, or 29.8%, to RMB486.6 million in the year ended December 31, 2017 from RMB374.8 million in the year ended December 31, 2016. This was mainly due to the year-on-year increase in income from our hotel operation.

Cost of sales. Our cost of sales increased by RMB850.1 million, or 8.9%, to RMB10,367.6 million in the year ended December 31, 2017 from RMB9,517.5 million in the year ended December 31, 2016. The increase was primarily due to the increase in GFA of properties sold and delivered for the year ended December 31, 2017 leading to an increase in total cost.

Gross profit. Our gross profit increased by RMB446.9 million, or 9.4%, to RMB5,225.0 million in the year ended December 31, 2017 from RMB4,778.1 million in the year ended December 31, 2016. Our gross profit margin increased to 33.5% in the year ended December 31, 2017 from 33.4% in the year ended December 31, 2016. The increase was mainly due to the increase in properties with a higher gross profit delivered in the year ended December 31, 2017.

Fair value gains on investment properties. Fair value gains on our investment properties increased significantly by RMB615.5 million, or 40.5% to RMB2,135.4 million in the year ended December 31, 2017 from RMB1,519.9 million in the year ended December 31, 2016. The revaluation gains were primarily due to the increase in the value of the investment properties located in first- and second-tier cities.

Selling and marketing costs. Our selling and marketing expenses increased by RMB19.3 million, or 4.0%, to RMB500.1 million in the year ended December 31, 2017 from RMB480.8 million in the year ended December 31, 2016. The increase was primarily due to the Company's continued business expansion.

Administrative expenses. Our administrative expenses increased by RMB138.2 million, or 18.3%, to RMB895.1 million in the year ended December 31, 2017 from RMB756.9 million in the year ended December 31, 2016. The increase was primarily due to the Company's continued business expansion.

Other income and gains — net. Our other gains — net in the year ended December 31, 2017 was RMB561.6 million, which mainly comprised fair value gains on the remeasurement of investments in joint ventures of RMB282.5 million and interest income of RMB158.9 million.

Finance costs — net. We incurred finance costs of RMB679.0 million in the year ended December 31, 2016 and recorded finance costs of RMB572.6 million in the year ended December 31, 2017. The decrease was primarily as a result of an exchange gain arising from our senior notes denominated in US$ when RMB appreciated.

Income tax expenses. Our income tax expenses increased by RMB321.8 million, or 16.4%, to RMB2,280.4 million in the year ended December 31, 2017 from RMB1,958.6 million in the year ended December 31, 2016, due to the increase of PRC corporate income tax.

Profit for the year. Our profit for the year increased by RMB1,118.6 million, or 40.7%, to RMB3,867.8 million in the year ended December 31, 2017 from RMB2,749.2 million in the year ended December 31, 2016.

Non-controlling interests. Our profit attributable to non-controlling interest in the year ended December 31, 2017 was RMB414.0 million and our profit attributable to non-controlling interest was RMB138.7 million in the year ended December 31, 2016.

Profit attributable to our equity holders increased by RMB872.1 million, or 35.4%, to RMB3,336.8 million in the year ended December 31, 2017 from RMB2,464.7 million in the year ended December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land premium and relocation costs), infrastructure costs, finance costs, as well as to service our indebtedness, and to fund working capital and normal recurring expenses. To date, we have primarily financed our expenditures through internally generated cash flows, proceeds from pre-sale and sale of properties, borrowings from commercial banks and other funds raised from the capital market from time to time. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of sources including proceeds from this offering, the First 2021 Notes, the 2020 Notes, the Second 2021 Notes, the Third 2021 Notes, project construction loans and mortgage loans, cash provided by operating activities, including the rental, sale and pre-sale of properties, bank loans and additional offerings of equity securities or other capital market instruments.

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

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in millions)		
Net cash inflow/(outflow) from operating activities	1,369.9	1,319.9	1,085.5
Net cash outflow from investing activities	(5,010.7)	(8,186.6)	(8,717.6)
Net cash inflow from financing activities	6,963.7	7,289.6	13,077.1
Net increase/(decrease) in cash and cash equivalents	3,322.9	422.9	5,445.0
Cash and cash equivalents at the beginning of the year/period	5,639.8	8,973.8	9,386.8
Effect of foreign exchange rate changes	11.1	(9.9)	8.0
Cash and cash equivalents at end of the year	8,973.8	9,386.8	14,839.8

Operating Activities

Our cash inflow from operating activities is generated primarily from proceeds from the sales of our properties, including proceeds from pre-sales of our properties, as well as rental income from our investment properties, income from property management services and other services related to property development. Cash used in our operating activities reflects our investments in our property developments, as well as payments of income taxes and interest.

In 2018, our net cash inflow from operating activities was RMB1,085.5 million. Our cash inflows in 2018 were principally a result of cash generated from operations of RMB4,923.3 million, partially offset by interest paid on our outstanding senior notes and bank borrowings of RMB2,682.7 million as well as corporate tax and land appreciation tax.

In 2017, our net cash inflow from operating activities was RMB1,319.9 million. Our cash outflows in 2017 were principally a result of interest paid of RMB1,951.8 million on our outstanding notes and bank and other borrowings as well as corporate income tax and land appreciation tax, partially offset by cash generated from operations derived from pre-sales of properties of RMB13,212.6 million, principally contributed from properties in Hangzhou Dajiangdong Powerlong Plaza, Xinxiang Powerlong Plaza, Xuzhou Powerlong Plaza and Xiamen Powerlong One Mall.

In 2016, our net cash inflow from operating activities was RMB1,369.9 million. Our cash outflows in 2016 were principally a result of interest paid of RMB1,364.7 million on our outstanding notes and bank and other borrowings as well as corporate income tax and land appreciation tax, partially offset by cash generated from operations including cash generated from pre-sales of properties of RMB12,281.2 million principally contributed from properties in Shanghai Qibao Powerlong City, Shanghai Jiading Powerlong Plaza, Shanghai Qingpu Powerlong Plaza, Dongying Powerlong Plaza and Xiamen Powerlong One Mall.

Investing Activities

Our cash used in investing activities reflects cash outflows relating to the purchases of property and equipment as well as purchases of land use rights and advances made to related parties. Our cash from investing activities reflects primarily proceeds from repayment of cash advances from related parties and disposals of property and equipment.

In 2018, our net cash used in investing activities was RMB8,717.6 million. Our cash outflows principally comprise cash advances made to joint ventures and associates of RMB6,270.9 million and payments for addition of investment properties of RMB2,883.0 million. Our cash outflows in 2018 were partially offset by collection of cash advances from joint ventures of RMB899.3 million and cash acquired from change of joint ventures to subsidiaries of RMB137.7 million.

In 2017, our net cash used in investing activities was RMB8,186.6 million. Our cash outflows principally comprised cash advances made to related parties of RMB5,563.8 million, payments of construction fees for investment properties of RMB1,217.1 million and prepayments for equity investments of RMB1,207.1 million. The payment of construction costs for investment properties primarily reflected costs incurred in the development of retail properties in Hangzhou Yuhang Future Technology Town Project, Xiamen Powerlong One Mall, Ninbo Gaoxin Powerlong Plaza and Shanghai Baoshan Powerlong Plaza.

In 2016, our net cash used in investing activities was RMB5,010.7 million. Our cash outflows principally comprise payments of construction fees for investment properties of RMB2,413.6 million, cash advances made to related parties of RMB946.8 million and prepayments for equity investments of RMB724.7 million. Our cash outflows in 2016 were partially offset by the proceeds from disposal of investment properties of RMB24.9 million and cash generated from disposal of available-for-sale financial assets of RMB16.2 million.

Financing Activities

Our cash from financing activities is mainly generated from bank borrowings, proceeds from the issuance of securities, including, among others, the First 2021 Notes and the 2020 Notes, the Second 2021 Notes, the Third 2021 Notes, the Convertible Bonds, corporate bonds and cash advances from related parties. Our cash inflows from financing activities are offset by repayments of bank borrowings, secured bonds and secured notes and repayments of cash advances made to related parties.

In 2018, our net cash inflow from financing activities was RMB13,077.1 million, which was primarily attributable to proceeds from borrowings in the amount of RMB19,820.6 million, partially offset by repayments of borrowings of RMB8,913.0 million.

In 2017, our net cash inflow from financing activities was RMB7,289.6 million, which was primarily attributable to proceeds from borrowings in the amount of RMB13,480.0 million, advances from related parties of RMB3,300.4 million and proceeds from the issuance of our senior notes of RMB2,998.4 million, partially offset by repayments of borrowings of RMB9,608.6 million and repayments of our corporate bonds of RMB2,039.5 million.

In 2016, our net cash inflow from financing activities was RMB6,963.7 million, which was primarily attributable to proceeds from borrowings consisting primarily of our issuances of senior notes and corporate bonds in the amount of RMB25,684.4 million, partially offset by repayments of borrowings of RMB16,377.6 million. Pursuant to the tender offer of the 2017 Notes that completed on November 2, 2016, we repurchased approximately 58.65% of the total aggregate principal amount of the outstanding 2017 Notes. The remaining of the 2017 Notes matured and were repaid in September 2017.

INDEBTEDNESS, CONTINGENT LIABILITIES AND NET CURRENT LIABILITIES

Borrowings

As of December 31, 2016, 2017 and 2018, we had the following outstanding borrowings.

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Borrowings included in non-current liabilities:			
Senior notes	3,379.3	5,566.9	7,529.2
— First 2021 Notes	1,364.1	1,285.5	1,362.1
— Second 2021 Notes	—	—	2,395.0
— 2020 Notes	—	1,975.2	3,772.1
— 2018 Notes(2)	1,379.6	2,306.3	—
— 2017 Notes(1)	635.6	—	—
Bank borrowings	9,242.6	13,421.9	23,836.1
Corporate Bonds	12,870.8	11,546.5	9,202.5
Other borrowings	1,750.2	2,737.8	3,399.4
Less: amounts due within one year	(4,752.8)	(7,493.1)	(9,586.8)
	22,490.1	25,780.0	34,380.4
Borrowings included in current liabilities:			
Short-term commercial papers	—	—	300.0
Bank borrowings	1,635.1	2,262.8	2,184.3
Other borrowings	1,148.2	—	906.1
Current portion of long-term borrowings	4,752.8	7,493.1	9,586.8
	7,536.1	9,755.9	12,977.2
Total borrowings	30,026.2	35,535.9	47,357.6

Notes:

(1) RMB879,680,000 aggregate principal amount of the 2017 Notes, representing 58.65% of the total aggregate principal amount of the outstanding 2017 Notes was repurchased by the Company pursuant to a tender offer that was completed on November 2, 2016. The 2017 Notes repurchased pursuant to such tender offer were cancelled. The remaining of the 2017 Notes matured and were repaid on September 18, 2017.

(2) The 2018 Notes matured and were repaid on November 26, 2018.

Our total outstanding bank and other borrowings amounted to RMB13,776.1 million, RMB18,422.5 million and RMB30,025.9 million, respectively, as of December 31, 2016, 2017 and 2018. The increase in our bank and other borrowings was primarily due to the expansion of our operations and increased funding needs to finance our existing and new property developments. As of December 31, 2016, 2017 and 2018, the effective interest rate for our bank and other borrowings and finance lease liabilities was 5.55%, 5.81% and 6.54%, respectively.

Commercial banks and non-bank financial institutions in China typically require guarantees or security interests for our borrowings. As of December 31, 2016, 2017 and 2018, RMB13,776.1 million, RMB18,422.5 million and RMB30,168.2 million, respectively, of our outstanding borrowings were secured by property and equipment, land use rights, properties under development, completed properties held for sale, investment properties and restricted cash.

The table below sets forth the maturity profiles of our total borrowings included in non-current liabilities as of the dates indicated:

	December 31,		
	2016	2017	2018
	(RMB in millions)		
Non-current borrowings:			
1–2 years	5,278.6	12,821.1	16,720.2
2–5 years	12,299.4	10,486.5	14,032.7
Over 5 years	4,912.1	2,472.4	3,627.2
Total	22,490.1	25,780.0	34,380.1

As of December 31, 2018, we had total borrowings in an aggregate amount of RMB47,357.6 million, which comprised RMB12,977.2 million included in current liabilities and RMB34,380.4 million included in non-current liabilities.

Contingent Liabilities

We make arrangements with various PRC banks to provide mortgage facilities to the purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to our customers. Guarantees for mortgages on pre-sold properties are generally discharged at the earlier of:

- the time when the property ownership certificates are submitted to the mortgagee banks; or
- the time when the purchaser pays off the total amount of the mortgage.

If a purchaser defaults on the mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2016, 2017 and 2018, the outstanding guarantees for mortgage loans of the purchasers of our properties were equal to approximately RMB9,290.2 million, RMB11,378.4 million and RMB15,662.4 million, respectively.

Contractual Commitments

We were contractually committed to spend RMB5,525.5 million as of December 31, 2016, RMB4,184.9 million as of December 31, 2017 and RMB9,095.3 million as of December 31, 2018, in each case for operating leases and for our property development expenditures. Our property development expenditures principally comprised costs with respect to obtaining land use rights and construction of projects.

We intend to settle our contractual commitments as construction of our projects progresses.

Restricted Cash

Our restricted cash comprises three components: guarantee deposits for construction of projects, guarantee deposits for bank acceptance notes and guarantee deposits for bank borrowings. As of December 31, 2016, 2017 and 2018, the outstanding amount of our restricted cash was RMB1,174.5 million, RMB575.5 million and RMB935.9 million, respectively. Guarantee deposits for construction projects are a certain amount of pre-sale proceeds which we are required to place in designated bank accounts as guarantee deposits for construction of related properties. These guarantee deposits can only be used for purchases of construction materials and payments of construction fees for the relevant projects and can only be released after the completion of related pre-sold properties or the issuance of the property ownership certificates. Guarantee deposits are placed with designated banks as guarantee for the issuance of bank acceptance notes. Guarantee deposits for bank borrowings are comprised primarily of Renminbi deposits supporting bank letters of credit that are security for Hong Kong dollar-denominated short-term credit facilities.

Working Capital

We centrally manage our working capital to ensure proper and efficient collection and deployment of our funds. We use an annual budget supplemented by quarterly and monthly cash flow rolling projections to control our current cash inflow and outflow. We also use a one to five-year budgeting system to monitor our cash flow, which covers land acquisition, construction cost payment, realization of revenue from properties and financing plans. All disbursements of funds must approved by the appropriate managers. All idle cash must be accounted for in our efficiency of utilization analysis.

For long-term capital requirements, such as the periodic replenishment of our land reserves, we use a three-year and five-year budgeting system. We carefully consider our cash position and ability to obtain further financing when arranging payment for land reserves and project construction costs. We endeavor to have financing ready before we make significant capital commitments. In relation to our existing amounts due to and due from related parties, we intend to enter into arrangements to offset such payables and receivables and settle any outstanding amounts periodically. Given suitable opportunities, we also intend to work with our bankers to access the capital markets through further equity or equity-linked capital raising or debt-related capital raising.

In addition, we seek to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, adopting a more flexible approach to pricing our property sales, seeking co-developers to jointly develop certain projects, generating additional cash inflows through disposal of select investment properties at commercially acceptable prices, and renegotiating payment terms with counterparties in certain contractual land acquisition arrangements.

As of December 31, 2016, 2017 and 2018, our aggregate cash and cash equivalents denominated in Renminbi amounted to RMB8,963.2 million, RMB9,090.0 million and RMB14,810.8 million, respectively, which would have been subject to PRC foreign exchange controls if any such cash and cash equivalents were to be exchanged into foreign currencies or remitted outside China. As of December 31, 2018, we had available and undrawn bank facilities in the aggregate amount of RMB4,819.1 million.

Off-balance Sheet Commitments and Arrangements

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

MARKET RISKS

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and the rate of inflation.

Interest Rate Risk

We are exposed to interest rate risks, primarily relating to our borrowings, which totaled RMB30,026.2 million, RMB35,535.9 million and RMB47,357.6 million, respectively, as of December 31, 2016, 2017 and 2018. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year lending rate published by the PBOC as of December 31, 2016, 2017 and 2018 was 4.35%, 4.35% and 4.35%, respectively.

Commodity Risk

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. We provide these key raw materials to our construction contractors, and such purchase costs are generally accounted for as part of the contractor fees pursuant to our arrangements with our contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors and suppliers. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations. In order to mitigate the impact and risk of price fluctuations relating to our key raw materials, we have endeavored to negotiate volume-discount prices for our key raw materials, but such measures have limited utility in reducing the commodity risks we face in our operations.

Foreign Exchange Risk

Substantially all of our revenue, expenses, cash and deposits are denominated in Renminbi. Our exposure to foreign exchange rate fluctuations results primarily from our foreign currency-denominated indebtedness and our cash and cash equivalents denominated in foreign currencies. To service our foreign currency denominated indebtedness, we have to convert Renminbi into the relevant foreign currencies. A depreciation of the Renminbi would require us to use more Renminbi funds to service the same amount of foreign currency debt. As of December 31, 2018, we had Hong Kong dollar-denominated debt totaling RMB2,090.5 million and U.S. dollar denominated debt totaling RMB9,454.3 million, representing primarily amounts under certain term loans. As of the same date, we had aggregate cash and cash equivalents denominated in Hong Kong dollars of RMB21.7 million and in U.S. dollar of RMB7.3 million.

We recognize foreign exchange gain or loss on our income statement due to changes in the 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 Hong Kong 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 the 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 the U.S. dollar." We currently do not hedge our foreign exchange risk but may do so in the future.

Inflation

China has not experienced significant inflation or deflation in recent years. According to the National Bureau of Statistics of China, China's overall national inflation rate, as measured by the general consumer price index, was approximately 2.0% in 2016, 1.6% in 2017 and 2.5% in 2018. Inflation in the past did not materially affect our business. Deflation could negatively affect our business as it might be a disincentive for prospective property purchasers to make a purchase.

Non-GAAP Financial Measures

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

- finance costs;
- exchange gains or losses;
- amortization;
- other income and gains — net;
- income tax expenses;
- depreciation;
- share of post-tax profit/loss of a joint venture; and
- share of post-tax profit/loss of an associate.

EBITDA is not a standard measure under either 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 profit for the year. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation and amortization, as well as non-operating items, such as other income and gains — net, finance costs and exchange gains or losses. 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 reported tax positions, amortization, other income and gains — net, finance costs and other non-operating expenses/income, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year under HKFRS to our definitions of EBITDA and EBITDA margin for the years indicated.

	Year ended December 31,		
	2016	**2017**	**2018**
	(RMB in thousands)		
Profit for the year/period	2,749,204	3,867,743	3,647,649
Adjustments:			
Interest income including interest income on entrusted loan	(30,705)	–	–
Finance costs	678,968	572,618	1,376,659
Other income and (losses)/gains — net	(9,857)	(561,565)	(216,369)
Share of profit of investments accounted for using the equity method	(314,295)	(197,359)	(187,234)
Exchange losses/(gains) — net	(2,343)	3,391	–
Income tax expenses	1,958,596	2,280,440	3,165,812
Depreciation	135,628	159,372	200,349
Amortization of land use rights	22,694	24,241	33,117
EBITDA	5,187,890	6,148,881	8,019,983
EBITDA margin	36%	39%	41%

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for income tax expenses, other income and gains — net, depreciation, amortization, finance costs/income, exchange gains or losses and share of profit/loss of investments accounted for using equity method. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. EBITDA margin is calculated by dividing EBITDA by revenue for the relevant years, expressed as a percentage.

The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers 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.

CHINA OVERALL

The PRC economy has grown significantly since the PRC government introduced economic reforms in 1978. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP increased at a CAGR of approximately 10.2% from approximately RMB41,303.0 billion in 2010 to approximately RMB90,031.0 billion in 2018, making China one of the fastest growing economies in the world.

The Chinese economy experienced strong growth in the last three decades, which transformed the country to become the world's second largest economy. China's 12th Five-Year Plan (2011-2015) and the newly approved 13th Five-Year Plan (2016-2020) highlight the development of services and measures to address environmental and social imbalances, setting targets to reduce pollution, to increase energy efficiency, to improve access to education and healthcare, and to expand social protection. The annual growth target in the 12th Five-Year Plan was 7 percent and the growth target in the 13th Five-Year Plan is 6.5 percent, reflecting the rebalancing of the economy and the focus on the quality of growth while still maintaining the objective of achieving a "moderately prosperous society" by 2020 (doubling GDP for 2010-2020).

From 2010 to 2018, according to the National Bureau of Statistics of China, China's urbanization rate (i.e. the proportion of population residing in urban areas) increased from 50.0% to 59.6%, and the urban population increased from 669.8 million to 831.4 million during the same period, representing a CAGR of 2.8%.

REAL ESTATE REFORM

Growth of the property market has been promoted and made possible by a series of reforms in the PRC real estate industry, which commenced in the 1990s. Prior to the housing reform in 1998, real estate development in China was an integral part of the country's planned economy with the PRC government developing and supplying housing for its urban population under a welfare system. The state-allocated housing policy was abolished in 1998, creating a market-based system for property transactions. Individuals were subsequently encouraged to purchase their own properties with mortgage financing, hence bolstering the growth of the property market. At the same time, the PRC government implements policies affecting the development of the real estate market, such as those relating to land supply, land grant process, building code, mortgage interest rate, down payment rate, etc. Therefore, government regulations and policies play an important role in the PRC's property market. For a discussion of key real estate reforms and changes in PRC government policies, see "Regulation." A brief timeline of key property reforms and government regulations and policies is set out below.

1998	The PRC government abolished its state-allocated housing policy.
1999	The PRC government extended the maximum mortgage term to 30 years. The PRC government increased the 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 property 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 ("MOC"), renamed as the Ministry of Housing and Urban-Rural Development ("MOHURD") in 2008, amended Administrative Measures on the Presale 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 rapid increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry.
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 ordinary 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. These measures and policies include increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grants of mortgage loans to nonresidents who cannot provide any proof of local tax or social insurance payment for more than one year, abolishing certain preferential tax treatment and limiting the number of residential properties one household can purchase in certain areas.
2011 to 2012	The PRC government issued the notices to further regulate the property market, including raising minimum down payment for second house purchasers, abolishing the business tax preferential treatment on transfer of ordinary residential properties within five years, imposing more stringent fines on idle land and further limiting the number of residential properties one household can purchase. 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.

2013 . . . . On February 26, 2013, the State Council issued the Notice on Further Improving the Regulation and Control of the Real Estate Market (關於繼續做好房地產市場調控工作的通知) which requires, among other restrictive measures:

(i) improving the responsibility system for stabilizing housing prices. Municipalities directly under the central government, cities listed on state plans and provincial capitals (excluding Lhasa) must set an annual objective for controlling housing prices and publish annually a new commodity housing price control target in the first quarter of the year;

(ii) firmly restraining purchases of residential housing for investment and speculation purposes; and

(iii) expanding ordinary commodity housing units and increasing the supply of land. On July 19, 2013, the PBOC announced a few measures to further liberalize China's lending interest rates effective from July 20, 2013. The most important measure is the removal of the lending rate floor, which was 30% below the benchmark rates. However, the floor on the benchmark mortgage rate will remain to curb speculative demand in the property market and maintain stable and healthy development of the market.

2014 . . . . To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PBOC and CBRC jointly issued a notice in September 2014, which provides where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions.

2015 . . . . In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

Furthermore, according to a notice jointly issued by SAT and Ministry of Finance, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost.

In August, 2015, the MOHURD, the Ministry of Finance and PBOC jointly issued a notice to lower the minimum down payment to 20% for the family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On September 24, 2015, the PBOC and CBRC jointly announced a notice to lower the minimum down payment required for homebuyers acquiring their first self-used ordinary residential property to 25% of the purchase price in cities where restrictions on the 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 the 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 which have not fully repaid the previous loan and are obtaining a 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 May 1, 2016, the reform to replace business tax with value-added tax was implemented nationwide and expanded to cover several key sectors such as real estate, construction, financial services and lifestyle services.

2017 . . . . On April 1, 2017, MOHURD and MLR jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing. Where such period is longer than 36 months, no more land is to be supplied. Land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months and more land shall be provided in the case of a period of longer than six months but shorter than 12 months. However, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace.

THE PRC REAL ESTATE MARKET INDUSTRY OVERVIEW

Demand, Supply and Price

With the exception of 2014, demand for properties in China has increased significantly in recent years amid a favorable economic environment characterized by continued growth in per capita disposable income and rising living standards. The aggregate GFA of commodity properties sold increased from approximately 1,048 million sq.m. in 2010 to approximately 1,717 million sq.m. in 2018, representing a CAGR of 7.1%. Meanwhile, driven by favorable market conditions and potential returns, investments in real estate development in the PRC grew rapidly from approximately RMB4,826 billion in 2010 to approximately RMB12,026 billion in 2018, representing a CAGR of 12.5%.

Property demand witnessed a slight decrease in certain parts of China in 2014 primarily because of the China's government's policy to limit property prices after the boost in 2013 and the significant decline in consumer confidence in the China property market. Nonetheless, in 2015, China's property market rebounded in the terms of both aggregate GFA and average price of commodity properties sold and maintained a growth trend in 2016. However, in 2017, the onset down-cycle hit the property market due to local tightening policies introduced by the government. Compared to 2014, the GFA of commodity properties sold in China increased by 6.5% to 1,285 million sq.m in 2015 then 22.4% to 1,573 million sq.m in 2016 then 7.69% to 1,694 million sq.m in 2017 and further increased by 1.4% to 1,717 million sq.m in 2018. Average price of commodity properties sold increase by 7.4% to RMB6,792 per sq.m in 2015, 10.1% to RMB7,476 per sq.m in 2016 and further increased by 5.6% to RMB7,892 per sq.m in 2017. Beginning in late 2013, the PRC government introduced a series of austerity measures in view of increasing concerns about the overheating of the property sector. As a result, China's property market showed a general slowdown in growth beginning in 2014. According to the National Bureau of Statistics of China, in 2015, the annual growth of aggregate of commodity property was 6.5% and the annual growth for the average selling price per sq.m of commodity properties sold was 7.4%. In 2016, the annual growth of aggregate of commodity property was 22.4% and the annual growth for the average selling price per sq.m of commodity properties sold was 10.1%. In 2017, the annual growth of aggregate of commodity property was 7.69% and the annual growth for the average selling price per sq.m of commodity properties sold was 5.6%. In 2018, the annual growth of aggregate of commodity property was 1.4%.

In 2015, the property sector showed signs of recovery after a slight slowdown as a result of a solid demand in top tier cities and stable demand to purchase property in tier 2 & 3 cities, the recovery continued in 2016. However, this trend slightly slowed down due to tightening policies implemented in 2017.

SHANGHAI

Situated in eastern China, Shanghai borders Jiangsu and Zhejiang provinces, and sits at the mouth of the Yangtze River. Thanks to its advantageous geographic location, Shanghai has become an excellent sea and river port, boasting easy access to a vast hinterland.

Shanghai had a total area of 6,340 square kilometers and total population of 24.2 million at the end of 2018, and has jurisdiction over 16 districts and one county. Shanghai's GDP has reached RMB3,268.0 billion, an increase of 6.7% over 2017.

Shanghai has an extensive public transport system, largely based on buses, taxis, and a rapidly expanding metro system. The Shanghai Metro rapid-transit system and elevated light rail has 17 lines at present. In cooperation with the Shanghai Municipality and the Shanghai Maglev Transportation Development Co. (SMT), German Transrapid constructed the first commercial Maglev railway in the world in 2002, from Shanghai's Longyang Road subway station in Pudong, to Pudong International Airport. Commercial operations started in 2003. The 30 kilometers trip takes seven minutes and 21 seconds and reaches a maximum speed of 431 kilometers per hour.

Shanghai is also a popular tourist destination renowned for its historical landmarks such as the Bund and Yuyuan Garden, and its extensive and growing Pudong skyline. Shanghai hosted the World Expo in 2010, attracting 73 million visitors.

CHONGQING

Chongqing is the only municipality directly under the central government in western China. Located on the upper reaches of the Yangtze River, Chongqing is south-west China's biggest industrial and commercial centre, communication hub and inland port. By the end of 2018, Chongqing had a population of 31.0 million.

Chongqing's 82,403 square kilometers of territory is divided into 24 districts, 10 counties and four autonomous counties. These districts and counties create an urban cluster resulting in a city with the most number of administrative districts and the largest population in China. Chongqing is the only transportation hub in West China that integrates water, land, and air transportation. Several trunk railways and artery expressways meet in Chongqing.

Chongqing was one of China's industrial bases and now is strengthening its five backbone industries: automobile & motorcycle, chemical & pharmaceutical, construction & building material, food and tourism. Chongqing is also expediting the development of high-tech industries such as information technology, bioengineering and environmental engineering.

TIANJIN

Tianjin is a metropolis in northern coastal Mainland China and one of the five national central cities of the country, with a total area of 11,760 square kilometers and population of 15.6 at the end of 2018. It is governed as one of the four direct-controlled municipalities of the PRC and is thus under direct administration of the central government. Tianjin borders Hebei Province and Beijing Municipality, bounded to the east by the Bohai Gulf portion of the Yellow Sea. Part of the Bohai Economic Rim, it is the largest coastal city in northern China.

Tianjin is transforming into a hub city for international shipping and logistics, modern manufacturing and research and development. Tianjin pillar industries are electronic information technology, automotive, biotechnology and pharmaceuticals, metallurgy and petrochemicals industries. Tianjin's GDP reached RMB1,881.0 billion in 2018, an increase of 1.4 percent over 2017.

QINGDAO

A sub-provincial city, Qingdao is located in the southern part of the Shandong Peninsula in Shandong Province. Qingdao's jurisdiction covers seven districts including Shinan, Shibei, Sifang, Licang, Laoshan, Chengyang and Huangdao and five county-level cities including Jiaozhou, Jiaonan, Jimo, Pingdu and Laixi. The urban areas of Qingdao are largely concentrated in the eastern side of Jiaozhu Bay near Laoshan, a well-known mountain in China and a popular tourist destination. A traditional port city, Qingdao lies on China's eastern coast overlooking the Yellow Sea. Across the sea and to the east is the Korean Peninsula. The city occupies a total area of approximately 11,282 square kilometers. Qingdao is one of the most important economic centers in the Bohai Rim in northern China and was the host city for the 2008 Olympic Sailing Regatta.

The economy and the total registered population of Qingdao grew simultaneously. The city had a total population of 9.4 million as of the end of 2018.

YANTAI

Yantai is a prefecture-level city on the Bohai Strait in northeastern Shandong Province. Lying on the southern coast of the Korea Bay, Yantai borders Qingdao on the southwest and Weihai on the east. It is the largest fishing seaport in Shandong. Yantai is currently the second largest industry city in Shangdong, next to Qingdao Yantai covers a total area of about 13,740 square kilometers and had a population of 7.1 million as at the end of 2018.

LUOYANG

The city of Luoyang is situated on the Central Plain of China in the western part of Henan Province. It is a prefecture level city and has jurisdiction over six districts (Jianxi, Xigong, Laocheng, Chanhe, Luolong and Jili), one county-level city (Yanshi) and eight counties. To its east lies the provincial capital of Zhengzhou, to the south lies Nanyang, to the west lies Sanmenxia and to its north lies Jiyuan. The city covers a total area of about 15,236 square kilometers and has a population of 6.9 million as of the end of 2018. Having served as the Chinese capital for no less than thirteen dynasties, the city is rich in culture and is recognized as being one of the cradles of Chinese civilization.

The 13th Five-year plan of Luoyang sets out objectives of economic development for the city. Luoyang is also expected to continue to enhance its strength in the manufacturing and tourism industries. The government's ambition is to not only build Luoyang into a modern industrial city but also into one of the most livable cities in Central and Western China.

XINXIANG

Xinxiang is a prefecture-level city located in the northern part of Henan Province and to the north-east of Zhengzhou, which is the provincial capital. Xinxiang comprises four districts, two county-level towns and six counties. It covers a total area of about 8,666 square kilometers and has a total population of 5.8 million at the end of 2018.

Xinxiang is a transportation hub, with access to Tianjin to its northeast and the adjacent provinces of Hebei, Shandong, Shanxi and Shaanxi. The city is also the junction point for major east-west and north-south railway lines.

Being an economic center and transportation hub of northern Henan Province, Xinxiang is one of central China's key manufacturing and agriculture production bases. Pillar industries in Xinxiang include bio-medical companies, automotive parts manufacturing, equipment manufacturing, food processing and fine chemicals manufacturing. Key enterprises which have established headquarters in Xinxiang include Frestech Refrigerator, Golden Dragon Copper Group, Bailu Chemical Fibre, and Henan Kelong Group.

FUYANG

Fuyang is a prefecture-level city in north western Anhui province. It borders Bozhou to the northeast, Huainan to the southeast, Lu'an to the south, and the province of Henan on all other sides. The prefecture-level city of Fuyang administers eight county-level divisions, including three districts, one county-level city and four counties, they are Yingzhou District, Yingdong District, Yingquan District, Jieshou City, Taihe County, Linquan County, Funan County and Yingshang County.

Fuyang covers a total area of about 9,775 square kilometers and had a population of 8.2 million as at the end of 2018.

WUXI

Located in the eastern part of Jiangsu Province between Shanghai and Nanjing, Wuxi is a major city of Jiangsu Province. It covers a total land area of approximately 4,627 square kilometers and had a population of 6.6 million as of the end of 2018.

Wuxi consists of nine county-level divisions, seven of which are urban districts and the remaining two are county-level cities. The urban districts are Chong'an, Nanchang, Binhu, Wuxi New District, Beitang, Huishan and Xishan. Jiangyin City and Yixing City are designated as county-level cities.

There are five key industries in Wuxi, including information technology, machinery production, automobile parts, textiles and new materials. Wuxi is one of the major manufacturing bases in the Yangtze River Delta region.

CHANGZHOU

Changzhou is a major city, situated in the south of Jiangsu Province. It borders Wuxi City to the east, Taihu Lake to the south, Nanjing City to the west and the Yangtze River to the north. The city is situated in the Yangtze Delta region of China. Changzhou is administratively divided into 2 county-level cities — Jintan and Liyang, and five districts — Wujin, Xinbei, Tianning, Zhonglou and Qishuyan. Changzhou covers a total area of approximately 4,372 square kilometers and has a population of 4.7 million as of the end of 2018.

As one of the major manufacturing bases in the Yangtze River Delta area, the key industries in Changzhou include smelting and pressing of ferrous metals, raw chemical materials and chemical products, textile, electronic equipment and machinery, and general equipment manufacturing. Since the establishment of a state-level high-tech development zone in Xinbei District in 1992, Changzhou's government has been putting increasing emphasis on developing high-tech industries in the district.

NANJING

Nanjing is a city situated in the heartland of the lower Yangtze River region in China, which has long been a major centre of culture, education research, politics, economy, transport networks and tourism. It is the capital city of Jiangsu province and the second largest city in the east China region, with about 6.600 square kilometers and a total population of 8.4 million at the end of 2018.

Located in Yangtze River Delta area and the center of east China, Nanjing is home to one of the world's largest inland ports. The city is also one of the fifteen sub-provincial cities in China's administrative structure, enjoying jurisdictional and economic autonomy only slightly less than that of a province.

The current economy of the city is basically newly developed based on the past. Service industries are dominating, accounting for about 60 percent of the GDP of the city, and financial industry, culture industry and tourism industry are top 3 of them. Industries of information technology, energy saving and environmental protection, new energy, smart power grid and intelligent equipment manufacturing have become pillar industries. In 2018, the city's GDP was RMB1,282.0 billion, 9.4% increase from 2017.

SUZHOU

Suzhou is a major city located in southeastern Jiangsu Province of East China, about 100 km northwest of Shanghai. It is a major economic center and focal point of trade and commerce, and the second largest city in the province after the capital Nanjing. The city is situated on the lower reaches of the Yangtze River Delta region. Administratively, Suzhou is a prefecture-level city with a population of 10.7 million at the end of 2018 and it covers a total area about 8,488 square kilometers.

Suzhou's economy is based primarily on its large manufacturing sector – China's second largest – including iron and steel, IT and electronic equipment, and textile products. The city's service sector is notably well-developed, primarily owing to tourism. Suzhou's overall GDP has reached RMB1,859.8 billion, 7.49% increase from 2017. The city is also one of China's foremost destinations for foreign investment, based on its relative proximity to Shanghai and comparatively low operating costs. The municipal government has enacted various measures to encourage FDI in a number of manufacturing (e.g. pharmaceutical, electronic goods, automobile) and services (e.g. banking, logistics, research services) sectors.

NINGBO

Ningbo is a sub-provincial city in northeast Zhejiang province in China, it covers a total area about 9,816 square kilometers. It comprises the urban districts of Ningbo proper, three satellite cities, and a number of rural counties including islands in Hangzhou Bay and the East China Sea. To the north, Hangzhou Bay separates Ningbo from Shanghai; to the east lies Zhoushan in the East China Sea; on the west and south, Ningbo borders Shaoxing and Taizhou respectively. As of the end of 2018, the entire administrated area had a population of 8.2 million.

Ningbo is an important port city located 220 kilometres south of Shanghai. The city's export industry dates back to the 7th century. Today Ningbo is a major exporter of electrical products, textiles, food, and industrial tools. The private economy of the city is especially well-developed, contributing most of total GDP.

FUZHOU

Fuzhou, the capital city of Fujian Province, is located on the south-east coast of China. Fuzhou is the political, economic and cultural center of Fujian Province, and is also an important port for China. It is one of China's largest cities, which is in close proximity to Taiwan. It consists of two sub-cities, six counties and five districts including Taijiang, Gulou, Cangshan, Mawei and Jin'an. Fuzhou covers a total land area of approximately 13,066 square kilometers in 2016 and had a total population of 7.7 million at the end of 2018.

Under the 13th Five-Year Plan, the Fuzhou government aims to achieve industry transformation and upgrade. The manufacturing industry is expected to be the pillar industry of Fuzhou. At the same time, the local government aims to increase the contribution by the services sector to Fuzhou's economy. The key growth engines are expected to be logistics, commerce, real estate, tourism and finance.

XIAMEN

Xiamen, the second largest city in Fujian province next to the capital, Fuzhou, covers a total area of 1,573 square kilometers. It looks out to the Taiwan Strait and borders Quanzhou to the north and Zhangzhou to the south. As one of the five earliest special economic zones, the city has attracted heavy investments from Taiwan and Hong Kong. There are six districts under the administration of Xiamen: Siming, Huli, Jimei, Haicang, Tong'an and Xiang'an. By the end of 2018, Xiamen had a population of 4.1 million.

The electronics & IT, machinery and chemical industries are the three backbone industries in Xiamen. Xiamen is the world's largest exporter and producer of tungsten products, a major computer exporter, a major aircraft maintenance centre and the largest producer of hearing aids, audio equipment, color films and film paper in the Asia-Pacific region.

JINJIANG

Jinjiang is a county-level city of Quanzhou City, Fujian Province. It is located in the southeastern part of the province, on the right or south bank of the Jin River, across from Quanzhou's urban district of Fengze. Jinjiang also borders the Taiwan Strait of the East China Sea to the south, and Quanzhou's other county-cities of Shishi and Nan'an to the east and west, respectively. It has an area of 721.7 square kilometers and a population of 2.1 million as of 2018.

Jinjiang is known for the large number of factories which operate there, especially in the clothing and name-brand footwear industry. Many migrant laborers come from elsewhere in Fujian and even from outside the province to commit themselves to year-long contracts. It's been ranked as top 10 richest county-level city in the whole country, as published by the National Bureau of Census. There are many sportswear and other garment and shoe manufacturers in Jinjiang.

BAZHONG

Situated in the north eastern part of Sichuan province, Bazhong borders Shanxi province to the northeast, Dazhou to the southeast, Nanchong to the southwest and Guangyuan to the west. The prefecture-level city of Bazhong administers five county-level divisions, including two districts, and three counties. Five key growing industries of Bazhong city Modern are tourism, biomedicine, food and beverage, machinery manufacturing, new energy and new materials.

Bazhong covers a total area of about 12,301 square kilometers and had a population of 3.3 million at the end of 2018.

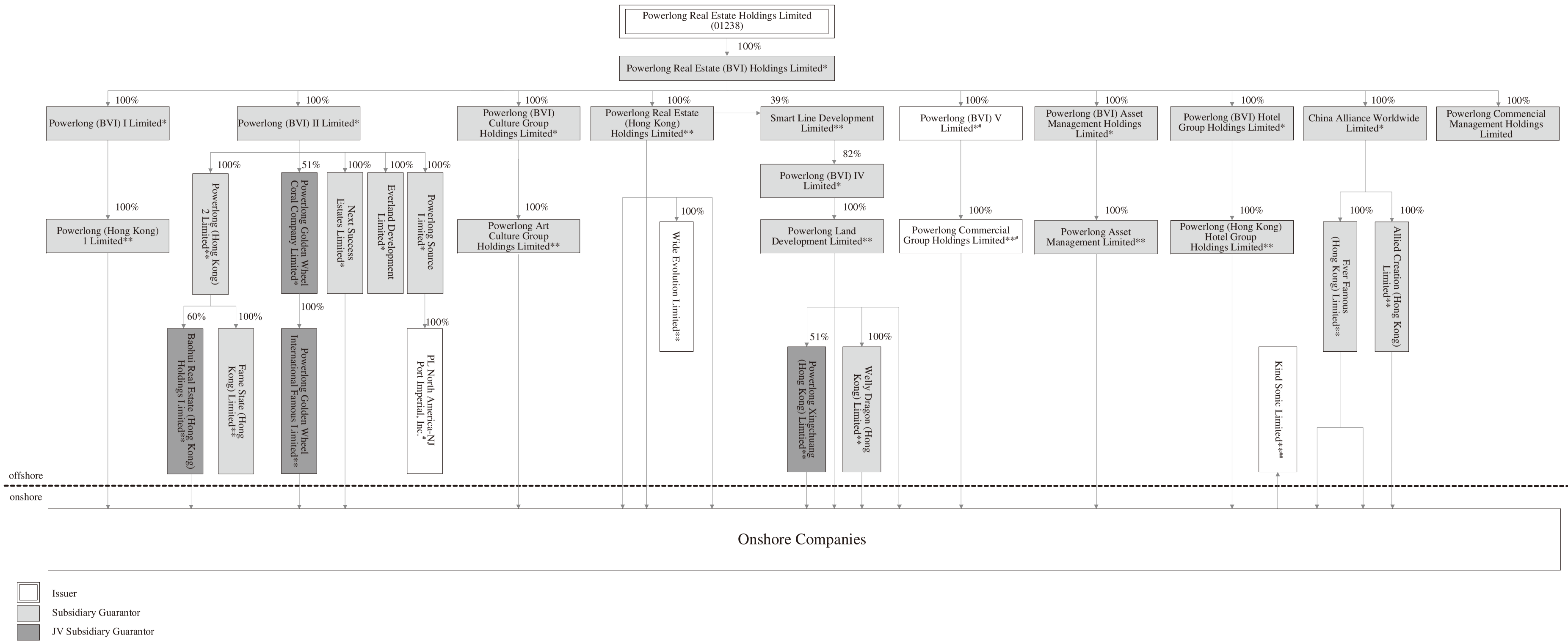
HAIKOU

Haikou is the capital and most populous city of Hainan province. It is situated on the northern coast of Hainan, by the mouth of the Nandu River. The northern part of the city is the district of Haidian Island, which is separated from the main part of Haikou by the Haidian River, a branch of the Nandu. Administratively, Haikou is a prefecture-level city, comprising four districts, and covering 2,280 square kilometers, with a population of 2.3 million at the end of 2018.

Haikou exports substantial quantities of agricultural produce and livestock. There is a small amount of industry, including canning, textiles, rice hulling, and light engineering. Also known as the "Coconut city", Haikou is an important tourist destination for China. The city earned approximately 26,599 million RMB from the tourism industry during 2017 period, up 14.3 percent from the previous year.

CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure as of the date of this offering circular:



*	Incorporated in the British Virgin Islands
**	Incorporated in Hong Kong
#	Unrestricted Subsidiary

The table below sets forth details of our major PRC subsidiaries:

#	English Name	Chinese Name	Effective shareholding
1	Shanghai Jincai Investment Consulting Co., Ltd	上海錦財投資諮詢有限公司	100%
2	Shanghai Zhishen Internet Technology Co., Ltd	上海致燊網絡科技有限公司	100%
3	Shanghai Huayuan Financing and Leasing Co., Ltd	上海華浣融資租賃有限公司	100%
4	Shanghai Hecan Industrial Co., Ltd.	上海赫璨實業有限公司	100%
5	Shanghai Yuanlong Investment Management Co., Ltd.	上海源龍投資管理有限公司	100%
6	Shanghai Xinglong Investment Management Co., Ltd.	上海興龍投資管理有限公司	100%
7	Zhoushan Yusheng Equity Investment Fund Partnership (Limited Partnership)	舟山譽勝股權投資基金合夥企業(有限合夥)	100%
8	Powerlong Huakang (Beijing) Investment Co., Ltd.	寶龍華康(北京)投資有限公司	100%
9	Shanghai Linli Information Technology Co., Ltd.	上海霖黎信息科技有限公司	100%
10	Shanghai Ningyan Industrial Co., Ltd.	上海凝豔實業有限公司	100%
11	Shanghai Xufan Industrial Co., Ltd.	上海絮範實業有限公司	100%
12	Shanghai Hongcheng Enterprise Management Co., Ltd.	上海洪誠企業管理有限公司	95%
13	Jinjiang Huazhan Enterprise Management Co., Ltd.	晉江市華展企業管理有限公司	95%
14	Jinjiang Baocheng Enterprise Management Co., Ltd.	晉江市寶晟企業管理有限公司	95%
15	Hangzhou Baota Enterprise Management Co., Ltd.	杭州寶拓企業管理有限公司	95%
16	Zhuji Runlong Property Co., Ltd.	諸暨潤龍置業有限公司	89%
17	Shanghai Naidun Enterprise Management Co., Ltd.	上海奈盾企業管理有限公司	95%
18	Ningbo Longzhan Real Estate Development Co., Ltd.	寧波龍展房地產開發有限公司	95%
19	Shanghai Hengjie Enterprise Management Co., Ltd.	上海恒捷企業管理有限公司	95%
20	Ningbo Longxin Real Estate Development Co., Ltd.	寧波龍信房地產開發有限公司	95%
21	Hangzhou Mingta Enterprise Management Co., Ltd.	杭州明拓企業管理有限公司	95%
22	Jinjiang Kangsheng Property Development Co., Ltd.	晉江市康勝置業發展有限公司	95%
23	Yantai Powerlong Property Development Co., Ltd.	煙臺寶龍置業發展有限公司	100%
24	Yantai Powerlong Real Estate Development Co., Ltd.	煙臺寶龍房地產開發有限公司	100%
25	Shanghai Haoshang Investment Management Co., Ltd.	上海皓商投資管理有限公司	100%
26	Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd.	上海寶龍展飛房地產開發有限公司	100%
27	Shanghai Chongxu Investment Management Co., Ltd	上海崇旭投資管理有限公司	100%
28	Shanghai Qiaohe Investment Management Co., Ltd	上海僑禾投資管理有限公司	100%
29	Shanghai Kangrui Real Estate Development Co., Ltd. (Qingpu project)	上海康睿房地產發展有限公司	100%
30	Shanghai Xiantong Property Co., Ltd.	上海賢通置業有限公司	100%
31	Shanghai Powerlong Fumin Real Estate Development Co., Ltd	上海寶龍富閩房地產開發有限公司	100%
32	Haining Baojun Real Estate Development Co., Ltd	海寧寶駿房地產開發有限公司	100%
33	Shanghai Powerlong Jingjun Real Estate Development Co., Ltd.	上海寶龍精駿房地產開發有限公司 (1)	100%
34	Chongqing Powerlong Changrun Property Development Co., Ltd.	重慶寶龍長潤置業發展有限公司	100%
35	Jinjiang Jinlong Industrial Development Co., Ltd.	晉江市晉龍實業發展有限公司	100%
36	Hangzhou Huazhan Real Estate Development Co., Ltd.	杭州華展房地產開發有限公司	100%
37	Hangzhou Yanwu Zhiyi Art and Culture Co., Ltd.	杭州言午至藝文化藝術有限公司	100%
38	Xiamen Powerlong Industry Co., Ltd.	廈門寶龍實業有限公司	100%
39	Xiamen Powerlong Property Development Co., Ltd.	廈門寶龍置業發展有限公司	100%
40	Tianjin Powerlong City Real Estate Development Co., Ltd.	天津寶龍城房地產開發有限公司	100%
41	Tianjin Powerlong Garden Real Estate Development Co., Ltd.	天津寶龍園房地產開發有限公司	100%
42	Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd (Huaxin project)	上海寶龍康晟房地產發展有限公司	100%
43	Shanghai Powerlong Huarui Real Estate Development Co., Ltd.	上海寶龍華睿房地產開發有限公司	100%
44	Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	上海寶龍康駿房地產開發有限公司	93%
45	Shanghai Powerlong Fujia Real Estate Development Co., Ltd.	上海寶龍富嘉房地產開發有限公司	70%

#	English Name	Chinese Name	Effective shareholding
46	Shanghai Ruichen Enterprise Management Co., Ltd.	上海芮臣企業管理有限公司	100%
47	Shanghai Guoxia Enterprise Management Co., Ltd.	上海果夏企業管理有限公司	100%
48	Shanghai Jingzhe Enterprise Management Co., Ltd.	上海靖喆企業管理有限公司	100%
49	Shanghai Huangteng Enterprise Management Co., Ltd.	上海煌騰企業管理有限公司	100%
50	Shanghai Jiawei Real Estate Development Co., Ltd.	上海嘉偉房地產開發有限公司	100%
51	Shanghai Powerlong Fangjun Real Estate Development Co., Ltd.	上海寶龍芳駿房地產開發有限公司	100%
52	Tianjin Denghui Enterprise Management Co., Ltd.	天津登慧企業管理有限公司	100%
53	Shanghai Zhimei Enterprise Management Co., Ltd.	上海之玫企業管理有限公司	100%
54	Hangzhou Longta Enterprise Management Co., Ltd.	杭州龍拓企業管理有限公司	95%
55	Shanghai Zhenqian Enterprise Management Co., Ltd.	上海振茜企業管理有限公司	100%
56	Fengxian Longyao Real Estate Development Co., Ltd.	豐縣龍耀房地產開發有限公司	100%
57	Yiwu Longrui Real Estate Development Co., Ltd.	義烏龍瑞房地產開發有限公司	65%
58	Shanghai Baoxing Enterprise Management Co., Ltd.	上海寶星企業管理有限公司	100%
59	Wenzhou Baoxin Real Estate Development Co., Ltd.	溫州寶信房地產開發有限公司	100%
60	Shanghai Maotai Enterprise Management Co., Ltd.	上海茂泰企業管理有限公司	95%
61	Nanjing Zhimei Enterprise Management and Consulting Co., Ltd.	南京之玫企業管理諮詢有限公司	95%
62	Tianjin Ruijing Enterprise Management Co., Ltd.	天津瑞景企業管理有限公司	95%
63	Shanghai Denghui Enterprise Management Co., Ltd.	上海登慧企業管理有限公司	100%
64	Hangzhou Baojin Property Co., Ltd.	杭州寶晉置業有限公司	100%
65	Fengxian Changfeng Energy Co., Ltd.	豐縣常豐能源有限公司	100%
66	Powerlong (Fengxian) Real Estate Development Co., Ltd.	寶龍(豐縣)房地產開發有限公司	100%
67	Fengxian Changxin Trading Co., Ltd.	豐縣常鑫商貿有限公司	100%
68	Guangdong Jiuchen Real Estate Co., Ltd.	廣東九辰房地產有限公司	100%
69	Shanghai Funai Industrial Co., Ltd.	上海富奈實業有限公司	100%
70	Zhenjiang Powerlong Property Development Co., Ltd.	鎮江寶龍置業發展有限公司	100%
71	Wuxi Yuheng Asset Operation and Management Co., Ltd.	無錫譽恒資產經營管理有限公司(旺莊地產保留)	100%
72	Shanghai Suiliao Enterprise Management Co., Ltd.	上海綏廖企業管理有限公司	67%
73	Wuxi Jiayu Property Co., Ltd.	無錫嘉御置業有限公司	67%
74	Xuzhou Baoxin Real Estate Development Co., Ltd.	徐州寶信房地產開發有限公司 (1)	80%
75	Shanghai Pengfang Enterprise Management Co., Ltd.	上海鵬舫企業管理有限公司	82%
76	Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd.	浙江寶龍星匯企業管理有限公司	78%
77	Shanghai Pengye Enterprise Management Co., Ltd.	上海鵬燁企業管理有限公司	78%
78	Fuding Powerlong Yingju Real Estate Co., Ltd.	福鼎寶龍英聚房地產有限公司	52%
79	Hangzhou Juhong Industrial Development Co., Ltd.	杭州聚鴻實業發展有限公司	78%
80	Hangzhou Juhang Industrial Development Co., Ltd.	杭州聚杭實業發展有限公司	78%
81	Hangzhou Juna Industrial Development Co., Ltd.	杭州聚納實業發展有限公司	78%
82	Hangzhou Juxing Industrial Development Co., Ltd.	杭州聚行實業發展有限公司	78%
83	Ningbo Fenghua Powerlong Huahe Property Co., Ltd.	寧波奉化寶龍華和置業有限公司	78%
84	Ningbo Tangshima Property Co., Ltd.	寧波湯仕瑪置業有限公司	90%
85	Ningbo Yuanda Industrial Investment Co., Ltd.	寧波遠大實業投資有限公司	90%
86	Shanghai Jukai Enterprise Management Co., Ltd.	上海聚凱企業管理有限公司	95%
87	Shanghai Taoxia Enterprise Management Co., Ltd.	上海濤峽企業管理有限公司	95%
88	Changshu Powerlong Real Estate Development Co., Ltd.	常熟寶龍房地產開發有限公司	95%
89	Qingdao Powerlong Property Development Co., Ltd.	青島寶龍置業發展有限公司	100%
90	Changzhou Powerlong Property Development Co., Ltd.	常州寶龍置業發展有限公司	100%
91	Xinxiang Powerlong Property Development Co., Ltd.	新鄉寶龍置業發展有限公司	100%
92	Yancheng Powerlong Property Development Co., Ltd.	鹽城寶龍置業發展有限公司	100%
93	Yantai Powerlong Sports Property Co., Ltd. (Haiyang project)	煙臺寶龍體育置業有限公司	100%

#	English Name	Chinese Name	Effective shareholding
94	Fuzhou Powerlong Real Estate Development Co., Ltd.	福州寶龍房地產發展有限公司	100%
95	Wuxi Yuqi Powerlong Property Co., Ltd.	無錫玉祁寶龍置業有限公司	100%
96	Luoyang Powerlong Property Development Co., Ltd.	洛陽寶龍置業發展有限公司 (2)	100%
97	Tianjin Panlong Real Estate Development Co., Ltd.	天津磐龍房地產開發有限公司	51%
98	Zhangzhou Powerlong Property Co., Ltd.	漳州寶龍置業有限公司	75%
99	Suqian Powerlong Property Development Co., Ltd.	宿遷寶龍置業發展有限公司	100%
100	Shandong Powerlong Industrial Development Co., Ltd	山東寶龍實業發展有限公司	100%
101	Zhengzhou Powerlong Houses Tenancy Co., Ltd.	鄭州寶龍房屋租賃有限公司 (鄭州地產分立)	100%
102	Suzhou Powerlong Real Estate Development Co., Ltd.	蘇州寶龍房地產發展有限公司	100%
103	Bengbu Powerlong Property Co., Ltd.	蚌埠寶龍置業有限公司	100%
104	Anxi Powerlong Property Development Co., Ltd.	安溪寶龍置業發展有限公司	100%
105	Powerlong Group (Qingdao) Property Development Co., Ltd.	寶龍集團(青島)置業發展有限公司	100%
106	Anxi Powerlong Asset Operation and Management Co., Ltd.	安溪寶龍資產經營管理有限公司 (安溪地產保留)	85%
107	Huai'an Powerlong Construction Development Co., Ltd.	淮安寶龍建設發展有限公司	100%
108	Huaian Debaixin Property Co., Ltd.	淮安德百信置業有限公司	100%
109	Shanghai Powerlong Haofeng Enterprise Development Co., Ltd.	上海寶龍皓豐企業發展有限公司	100%
110	Shanghai Haoxiang Catering Management Co., Ltd.	上海豪祥餐飲管理有限公司	100%
111	Hangzhou Powerlong Real Estate Development Co., Ltd.	杭州寶龍房地產開發有限公司	100%
112	Yancheng Powerlong Commercial Development Co., Ltd.	鹽城寶城商業發展有限公司	65%
113	Yancheng Yulong Property Co., Ltd.	鹽城御龍置業有限公司	65%
114	Xiamen Powerlong Real Estate Management Co., Ltd.	廈門寶龍地產管理有限公司	100%
115	Shanghai Chuzhe Industrial Co., Ltd.	上海楚喆實業有限公司	100%
116	Shanghai Yulong Investment Management Co., Ltd.	上海譽龍投資管理有限公司	100%
117	Ningbo Meishan Baoshuigangqu Yulong Investment Management Co., Ltd.	寧波梅山保稅港區譽龍投資管理有限公司	100%
118	Shanghai Guibo Industrial Co., Ltd.	上海貴鉑實業有限公司	100%
119	Ningbo Powerlong Guijiao Jinhai Complex Development Co., Ltd.	寧波寶龍軌交金海綜合開發有限公司 (一級開發)	95%
120	Wuxi Powerlong Real Estate Development Co., Ltd.	無錫寶龍房地產發展有限公司	80%
121	Wuxi Longmai Catering and Entertainment Co., Ltd.	無錫龍麥餐飲娛樂有限公司(旺莊)	80%
122	Tianjin Powerlong Jinjun Real Estate Development Co., Ltd.	天津寶龍金駿房地產開發有限責任公司	65%
123	Shanghai Zhanni Industrial Development Co., Ltd	上海展尼實業發展有限公司	82%
124	Shanghai Zhanshan Industrial Development Co., Ltd	上海展杉實業發展有限公司	82%
125	Shanghai Zhanshang Industrial Development Co., Ltd	上海展熵實業發展有限公司	82%
126	Shanghai Pengge Industrial Development Co., Ltd	上海鵬舸實業發展有限公司	82%
127	Hainan Powerlong Jinhe Property Co., Ltd.	海南寶龍晉合置業有限公司	50%
128	Shanghai Guange Industrial Development Co., Ltd	上海冠舸實業發展有限公司	82%
129	Shanghai Guanfang Industrial Development Co., Ltd	上海冠舫實業發展有限公司	82%
130	Shanghai Pengduo Industrial Development Co., Ltd	上海鵬鐸實業發展有限公司	82%
131	Shanghai Pengchi Industrial Development Co., Ltd	上海鵬熾實業發展有限公司	82%
132	Dongying Powerlong Real Estate Development Co., Ltd.	東營寶龍房地產開發有限公司	82%
133	Shanghai Powerlong Ruicheng Real Estate Development Co., Ltd	上海寶龍睿承房地產開發有限公司	82%
134	Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd.	上海寶龍瑞勝房地產開發有限公司	82%
135	Zhejiang Powerlong Xingju Enterprise Management Development Co., Ltd.	浙江寶龍星聚企業管理發展有限公司	82%
136	Shanghai Zhanmei Industrial Development Co., Ltd	上海展梅實業發展有限公司	82%

#	English Name	Chinese Name	Effective shareholding
137	Shanghai Zhanpei Industrial Development Co., Ltd	上海展佩實業發展有限公司	82%
138	Shanghai Haohu Industrial Development Co., Ltd	上海豪湖實業發展有限公司	82%
139	Ningbo Powerlong Huahong Property Development Co., Ltd.	寧波寶龍華泓置業發展有限公司	82%
140	Ningbo Fenghua Powerlong Huaxiang Property Co., Ltd.	寧波奉化寶龍華祥置業有限公司	82%
141	Ningbo Powerlong Huayu Property Development Co., Ltd.	寧波寶龍華隅置業發展有限公司	82%
142	Zhejiang Zhoushan Powerlong Real Estate Development Co., Ltd.	浙江舟山寶龍房地產開發有限公司	84%
143	Fuyang Powerlong Real Estate Development Co., Ltd.	富陽寶龍房地產開發有限公司	82%
144	Fuyang Powerlong Zhanyao Property Co., Ltd.	阜陽寶龍展耀置業有限公司	42%
145	Ningbo Powerlong Huazhan Property Development Co., Ltd.	寧波寶龍華展置業發展有限公司	57%
146	Bazhong Quansheng Real Estate Development Co., Ltd.	巴中泉商房地產開發有限公司	62%
147	Zhangzhou Powerlong Xiaozhen Development Management Co., Ltd.	漳州寶龍小鎮開發管理有限公司	66%
148	Shanghai Haocang Industrial Development Co., Ltd.	上海豪滄實業發展有限公司	66%
149	Zhangzhou Powerlong Yingju Real Estate Co., Ltd.	漳州寶龍英聚房地產有限公司	33%
150	Xiamen Hualong Property Management Co., Ltd.	廈門華龍物業管理有限公司	100%
151	Xinxiang Powerlong Commercial Property Management Co., Ltd.	新鄉寶龍商業物業管理有限公司	100%
152	Taicang Baohua Property Management Co., Ltd.	太倉寶華物業管理有限公司	100%
153	Shanghai Powerlong Property Management Co., Ltd.	上海寶龍物業管理有限公司	100%
154	Xinxiang Powerlong Property Management Co., Ltd.	新鄉寶龍物業管理有限公司	100%
155	Qingdao Jimo Powerlong Commercial Property Management Co., Ltd.	青島即墨寶龍商業物業管理有限公司	100%
156	Xiamen Hualong Commercial Property Management Co., Ltd.	上海寶龍商業地產管理有限公司	100%
157	Luoyang Powerlong Commercial Property Management Co., Ltd.	洛陽寶龍商業物業管理有限公司	100%
158	Anxi Powerlong Commercial Property Service Co., Ltd.	安溪寶龍商業物業服務有限公司	100%
159	Bengbu Powerlong Commercial Property Management Co., Ltd.	蚌埠寶龍商業物業管理有限公司	100%
160	Fuzhou Powerlong Commercial Operation Management Co., Ltd.	福州寶龍商業經營管理有限公司	100%
161	Zhengzhou Powerlong Commercial Property Management Co., Ltd.	鄭州寶龍商業物業管理有限公司	100%
162	Jinjiang Yulong Commercial Property Management Co., Ltd.	晉江禦龍商業物業管理有限公司	100%
163	Suqian Powerlong Commercial Property Management Co., Ltd.	宿遷寶龍商業物業管理有限公司	100%
164	Wuxi Powerlong Commercial Property Management Co., Ltd.	無錫寶龍商業物業管理有限公司	100%
165	Yancheng Powerlong Commercial Property Management Co., Ltd.	鹽城寶龍商業物業管理有限公司	100%
166	Qingdao Licang Powerlong Commercial Property Management Co., Ltd.	青島李滄寶龍商業物業管理有限公司	100%
167	Yantai Powerlong Commercial Property Management Co., Ltd.	煙臺寶龍商業物業管理有限公司	100%
168	Hangzhou Haolong Enterprise Management Co., Ltd.	杭州皓龍企業管理有限公司	100%
169	Changzhou Junlong Commercial Management Co., Ltd.	常州駿龍商業管理有限公司	100%
170	Zhenjiang Yulong Commercial Management Co., Ltd.	鎮江御龍商業管理有限公司	100%
171	Qingdao Powerlong Yingju Commercial Property Management Co., Ltd.	青島寶龍英聚商業物業管理有限公司	100%
172	Shanghai Xuxin Enterprise Management Co., Ltd.	上海煦新企業管理有限公司	100%
173	Shanghai Kangqian Commercial Operation Management Co., Ltd.	上海康謙商業經營管理有限公司	100%
174	Shanghai Juanxin Enterprise Management Co., Ltd.	上海鐫新企業管理有限公司	100%
175	Shanghai Baozhan Commercial Operation Management Co., Ltd.	上海寶瞻商業經營管理有限公司	100%
176	Shanghai Baoqian Commercial Operation Management Co., Ltd.	上海寶謙商業經營管理有限公司	100%
177	Shanghai Huazhan Commercial Operation Management Co., Ltd.	上海華瞻商業經營管理有限公司	100%
178	Shanghai Huaqian Commercial Operation Management Co., Ltd.	上海華潛商業經營管理有限公司	100%
179	Shanghai Jinglong Enterprise Management Co., Ltd	上海涇龍企業管理有限公司	100%
180	Bengbu Yulong Material Trading Co., Ltd	蚌埠御龍物資商貿有限公司	100%
181	Hangzhou Junlong Enterprise Management Co., Ltd.	杭州駿龍企業管理有限公司	100%
182	Hangzhou Xiaoshan Yulong Commercial Management Co., Ltd.	杭州蕭山御龍商業管理有限公司	100%
183	Hangzhou Fuyang Powerlong Commercial Investment Management Co., Ltd	杭州富陽寶龍商業投資管理有限公司	100%
184	Yangzhou Powerlong Commercial Management Co., Ltd.	揚州寶龍商業經營管理有限公司	100%
185	Xiamen Baojuan Commercial Management Co., Ltd.	廈門寶鐫商業管理有限公司	100%

#	English Name	Chinese Name	Effective shareholding
186	Yantai Yulong Commercial Property Management Co., Ltd.	煙臺御龍商業物業管理有限公司	100%
187	Jiangyou Powerlong Commercial Property Management Co., Ltd.	江油寶龍商業管理有限公司	100%
188	Qingdao Powerlong Commercial Property Management Co., Ltd.	青島寶龍商業物業管理有限公司	100%
189	Tianjin Junlong Commercial Management Co., Ltd.	天津駿龍商業管理有限公司	100%
190	Dongying Powerlong Commercial Operation Management Co., Ltd.	東營寶龍商業經營管理有限公司	100%
191	Fuyang Powerlong Commercial Operation Management Co., Ltd.	阜陽寶龍商業經營管理有限公司	100%
192	Chongqing Powerlong Zhangrun Property Management Co., Ltd.	重慶寶龍長潤物業管理有限公司	100%
193	Shanghai Yulong Property Management Co., Ltd.	上海御龍物業管理有限公司	100%
194	Shanghai Powerlong Yiqing Hotel Management Co., Ltd.	上海寶龍藝境酒店管理有限公司	100%
195	Shanghai Powerlong Qinghao Hotel Management Co., Ltd.	上海寶龍磬浩酒店管理有限公司	100%
196	Qingdao Powerlong Hotel Management Co., Ltd.	青島寶龍大酒店管理有限公司	100%
197	Shanghai Powerlong Ruixin Hotel Management Co., Ltd.	上海寶龍睿欣酒店管理有限公司	100%
198	Suzhou Taicang Powerlong Hotel Co., Ltd.	蘇州太倉寶龍大酒店有限公司	100%
199	Shandong Taian Ruilong Hotel Co., Ltd.	山東泰安瑞龍大酒店有限公司 (泰安地產分立)	100%
200	Shanghai Huanya Architecture Design Co., Ltd.	上海寰亞建築設計有限公司	100%
201	Pingxiang Youpu Architecture Design Co., Ltd.	萍鄉優浦建築設計有限公司	100%
202	Pingxiang Naditong Construction Engineering Co., Ltd.	萍鄉納迪通建築工程有限公司	100%
203	Pingxiang Tianmengxing Marketing Planning Co., Ltd.	萍鄉天夢星營銷策劃有限公司	100%
204	Shanghai Yingjie Trading Co., Ltd.	上海盈捷貿易有限公司	100%
205	Shanghai Maokang Investment Co., Ltd.	上海茂康投資有限公司	100%
206	Ningbo Yifengda Trading Co., Ltd	寧波毅澧達貿易有限公司	100%
207	Shanghai Yingjie Marketing Planning Co., Ltd.	上海盈捷營銷策劃有限公司	100%
208	Pingxiang Baochuang Real Estate Property Co., Ltd.	萍鄉寶創房地產置業有限公司	100%
209	Pingxiang Hezhong Chuangzhi Advertising Co., Ltd.	萍鄉合眾創智廣告有限公司	100%
210	Shanghai Kouzhan Construction Consulting Co., Ltd.	上海蔻展工程諮詢有限公司	100%
211	Pingxiang Youyuan Architecture Design Co., Ltd.	萍鄉優元建築設計有限公司	100%
212	Pingxiang Runtianchang Construction Engineering Co., Ltd.	萍鄉潤天暢建築工程有限公司	100%
213	Pingxiang Duohui Marketing Planning Co., Ltd.	萍鄉多輝營銷策劃有限公司	100%
214	Pingxiang Chiwantong Trading Co., Ltd.	萍鄉馳萬通貿易有限公司	100%

Notes:

(1) The shares of the company have been pledged pursuant to financing agreements or loan agreements.

(2) The registered capital of the company has not been fully paid.

OVERVIEW

We are a leading property developer in China specializing in the development and operation of high-quality, large-scale, integrated retail and residential complexes. Our existing property projects are generally located in prime positions of fast-growing cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province, Zhejiang Province, Hainan Province and Sichuan Province, as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality. We intend to focus our expansion in property development operations in cities in China that we believe have high growth potential. Our shares have been listed on the main board of the Hong Kong Stock Exchange since October 2009 and our market capitalization was approximately HK$18.4 billion as of July 11, 2019.

Our business model sets us apart from many property developers in China. We focus more on owning and operating retail properties, and our strategy is to sell all the residential properties and a portion of the retail properties that we develop to generate cash flow for our business operations. We retain ownership of a significant portion of our retail properties for long-term investment to generate recurring rental income and capture potential capital appreciation. We believe our business model allows us to diversify our revenue sources, generate steady recurring revenue and reduce our reliance on a particular sector of the real estate market. Our policy going forward will generally continue to follow our current practice with respect to properties for sale and properties to be retained for investment.

We focus primarily on fast-growing, emerging cities or districts in the Yangtze River Region, and have expanded our business substantially into the Bohai Region, the Central China Region and the West Strait Region. Our projects are primarily large-scale integrated retail and residential complexes that are among the largest integrated retail and residential projects in the cities or districts where they are located. The scale of our integrated retail and residential complexes, and the enhanced lifestyles, services and other benefits they bring to the surrounding communities, means that our developments typically have support and cooperation from local governments on city planning, design and the land acquisition processes. We believe that these factors help us to acquire prime sites for our projects at relatively low cost and give our projects a competitive advantage.

Our main property development projects are branded “Powerlong Plaza”, and are integrated retail and residential complexes, typically with a total GFA ranging between 200,000 and 750,000 square meters each. The residential units in these projects target the end-user market, and the retail portions of the projects are designed to enhance the living environment for residents and other members of the surrounding community by providing easy access to staple services such as supermarkets, department stores, restaurants and fast food outlets, personal care services and movie theatres and other entertainment. As of December 31, 2018, we had developed, were developing, were holding for future development a total of 114 property projects, and we were in various stages of negotiations and planning with a number of other city governments to develop similar projects in other cities. As of the same date, we also operated and managed three property projects not owned by us.

We report our revenue under the following segments, namely (i) property development; (ii) property investment; (iii) property management services; and (iv) other property development related services. For the years ended December 31, 2016, 2017 and 2018, property development remained our key revenue driver.

Property Development. As of December 31, 2018, we had owned 114 projects which are at different phases of development. As of December 31, 2018, we had 34 fully completed projects, among which six are located in Jiangsu Province, seven in Fujian Province, six in Shandong Province, three in Zhejiang Province, one in Henan Province, one in Anhui Province and 10 in Shanghai Municipality. We had 80 projects under development or held for future development, among which six are located in Shanghai Municipality, 19 in Jiangsu Province, 30 in Zhejiang Province, nine in Fujian Province, five in Shandong Province, five in Tianjin Municipality, one in Anhui Province, two in Henan Province, one in Chongqing Municipality, one in Hainan Province and one in Sichuan Province.

Property Investment. As of December 31, 2018, we held and operated completed investment properties, mainly shopping malls, which are mainly located at Shanghai Municipality, Zhenjiang, Wuxi, Changzhou, Suqian and Yancheng in Jiangsu Province, Hangzhou in Zhejiang Province, Fuzhou, Xiamen and Quanzhou (including Anxi and Jinjiang) in Fujian Province, Yantai (including Laishan and Penglai), Tai'an and Qingdao (including Chengyang, Jiaozhou, Licang and Jimo) in Shandong Province, Zhengzhou, Luoyang and Xinxiang in Henan Province, Bengbu and Fuyang in Anhui Province, and Chongqing Municipality.

Property Management. We provide after-sales property management services to the households of each project developed by us through our wholly-owned property management subsidiaries. Such services include maintenance of public utilities, cleaning of public area, gardening and landscaping, and other customer services. We also operate and manage three properties which are not owned by us.

Hotel Development. As of December 31, 2018, we owned a total of 17 hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province and Anhui Province. Nine of our owned hotels are operated under operating agreements we entered into with international hotel management groups and the remaining eight of our owned hotels are operated by us.

The total GFA of properties we delivered in 2016, 2017 and 2018 was 1,179,029 square meters, 1,446,455 square meters and 1,420,718 square meters, respectively. We intend to retain an increasing portion of our retail properties for recurring rental income and for capital appreciation and to sell our residential properties for cash flow. Our cash flow from operations may decrease if we hold a greater portion of our developed properties for investment and, as a result, sell fewer properties. For the years ended December 31, 2016, 2017 and 2018, our revenue from sales of properties was RMB12,530.0 million, RMB13,301.9 million and RMB16,667.4 million, respectively, representing approximately 87.6%, 85.3% and 85.1%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, we had a total leasable GFA of 2,531,984 square meters, 2,692,556 square meters and 2,856,744 square meters, respectively. For the years ended December 31, 2016, 2017 and 2018, our income from property investment was RMB599.6 million, RMB856.2 million and RMB1,123.6 million, respectively, representing approximately 4.2%, 5.5% and 5.7% respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, our income from property management services was RMB791.2 million, RMB947.9 million and RMB1,125.1 million, respectively, representing approximately 5.5%, 6.1% and 5.7%, respectively, of our total revenue.

Our revenue for the years ended December 31, 2016, 2017 and 2018 was RMB14,295.6 million, RMB15,592.6 million and RMB19,593.8 million, respectively, and our EBITDA was RMB5,187.9 million, RMB6,148.9 million and RMB8,020.0 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths enabling us to compete in the commercial real estate markets in China:

Proven standardized development model

As of December 31, 2018 we had developed, were developing, were holding for future development or were operating and managing a total of 114 property projects and we were at various stages of negotiations and planning with a number of city governments to develop similar projects in other cities. Through our experience with our Powerlong Plaza projects, we have developed a standard integrated shopping mall and residential development design and operating procedure. We believe this standardized model has significantly reduced our average development time and cost, and allows us to recover our investment quicker and thus reduces our funding risk. Our experience and strong relationships with our anchor retail tenants enables us to build their specifications into the project design and enable them to open for business earlier in the development process, further enhancing project cash flow and marketing. We design the retail portion of our property projects to provide essential staple facilities and services to the projects' residents and neighboring communities, including supermarkets, fast food outlets, restaurants, department stores, personal care services and entertainment. We believe such facilities and services contribute to a stable flow of patrons that is less susceptible to economic cycles. We believe we can replicate this standardized development and operating model in other cities efficiently.

We focus on the development of large-scale integrated retail and residential complexes and have formulated a business model that we believe sets us apart from our competitors. Our "Powerlong" business model has the following features:

- we strategically retain long-term ownership of our quality retail properties for recurring rental income from long-term leases with stable anchor tenants and potential capital appreciation;

- we select fast-growing, emerging cities or districts in China with relatively low land cost and potential for future growth to develop large-scale integrated retail and residential properties;

- we invite domestic and international retailers to be our long-term anchor tenants in order to meet consumer demand for staple services and enhance the attractiveness, reputation and property value of our properties; and

- we generally develop our properties in multiple phases. In early phases, we sell the residential properties and part of the retail properties to generate healthy cash flow early in the development process to satisfy the capital needs of the remaining phases of the project.

Our "Powerlong" business model allows us to expand rapidly with relatively low capital outlays, achieve attractive returns and obtain stable cash flow. We also believe that our focus on emerging cities and retail properties makes us less susceptible to market downturns resulting from government efforts to slow the rise of property prices.

High quality and well-diversified land bank and portfolio

Our existing property projects are generally located in prime positions close to the city center of fast-growing, emerging cities or districts in China. As of December 31, 2018, we had completed 34 property development projects and had 80 other property development projects at various stages of development in a total of 38 cities and municipalities in China. We had total GFA under development of approximately 12.8 million square meters encompassing work at 61 projects, of which 14 are located in Jiangsu Province, three in Shandong Province, two in Henan Province, seven in Fujian Province, four in Tianjin Municipality, six in Shanghai Municipality, 22 in Zhejiang Province, one in Anhui Province, one in Hainan Province and one in Chongqing Municipality. We had total GFA of approximately 8.4 million square meters held for future development comprising 17 projects which are also properties under development and 19 projects which are held for future development. Of our 36 projects held for future development (including the 17 projects which are also under development), we have 13 in Jiangsu Province, 10 in Zhejiang Province, four in Shandong Province, three in Tianjin Municipality, one in Henan Province, three in Fujian Province, one in Hainan Province and one in Sichuan Province. We believe our existing land bank is adequate for three to five years of property development. We leverage our management's extensive experience and in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low prices. We believe our geographically diverse and low-cost land reserves allow us to diversify our product portfolio, access wider market segments, and reduce our exposure to market fluctuations.

Strong contracted sales provide ample operational flexibility

We have experienced strong contracted sales for the years 2016, 2017 and 2018 which has made us more resilient against the austerity measures the PRC government has implemented and amended from time to time since 2009. Our business model incorporates the key market factors that influence housing growth in China, particularly in the cities and regions where we operate or into which we intend to expand. We primarily focus on the development of commercial in the urban areas in emerging cities. Over the years, we have experienced steady growth in terms of contracted sales and profit. We believe that our strong contracted sales is attributable to our knowledge of real estate markets and our understanding of market trends in China enable us to respond effectively to market conditions and changes. In addition, our diversified product portfolio has reduced our exposure to market fluctuations and made us more resilient against the PRC government's austerity measures.

Strong recurring income and established tenants network

We provide a one-stop shopping solution for customers visiting our retail complexes, offering a diverse range of staple services, including supermarkets, department stores, restaurants and entertainment. We seek to maintain the quality and attractiveness of our commercial complexes by establishing long-term partnerships with domestic and international retailers across a wide spectrum of industries. Many of these retailers, have become our key tenants in our retail complexes. Most of our leases with anchor tenants are for a term of 10 to 20 years. We believe our relationships with these well-recognized and reputable anchor tenants enhance our ability to successfully replicate our standardized development model and secure recurring rental income.

We often also seek input from some of our largest anchor tenants in relation to the design and construction of our commercial properties in the early stages of project development to help secure the long-term tenancy of our anchor tenants. In addition, some of these anchor tenants work closely with Powerlong to strategically select cities and sites. We believe that by understanding the needs of our anchor tenants, we are able to increase operating efficiencies and lower our risks in future projects. A significant benefit of our close working relationship with our anchor tenants is that many of our projects have an average 80% occupancy rate at the time they open.

Proven ability to secure land at low cost

We believe land reserves acquired at relatively low cost are paramount to our long-term growth and profitability. Most of the parcels of land we have acquired are located in fast-growing, emerging cities or districts. Through our in-depth knowledge of local urban planning, we endeavor to acquire prime sites in areas with good growth potential and that we believe will become new commercial districts. With the support and cooperation of city governments, we design projects that enhance the living environment of residents of the projects and the surrounding community by providing a one-stop solution to their retail and entertainment needs. We believe that our established brand name, reputation, track record as a leading developer of integrated retail and residential complexes and our ability to design projects in line with local urban planning and city expansion plans provide us with a competitive edge and stronger bargaining power relative to our competitors when acquiring land. We believe the relatively low cost of our acquired land reserves has enhanced our ability to respond to changing market conditions, which will continue to underpin our profitability and future success.

Experienced management team and recognized brand value

We employ an integrated business management system to manage our project developments. Other than project construction and certain design work outsourced to external contractors, our professional teams carry out tasks which straddle a number of areas of expertise, including market research and analysis, project selection, project planning, materials procurement, construction work management, interior decoration, sales and marketing, property management, property leasing as well as customer service. We believe our integrated project development and management system has enabled us to become one of the leading commercial property developers in China possessing capabilities to develop and manage large-scale, high-quality commercial projects. We believe that by integrating capabilities and expertise in every stage of the property development process, we are able to have greater control over quality and costs and thereby increase operating efficiencies and enjoy enhanced economies of scale.

Members of our senior management team, including our chairman, Hoi Kin Hong, our executive directors, Hoi Wa Fong, Shih Sze Ni Cecilia, Xiao Qing Ping and Zhang Hong Feng, have on average over 14 years of experience in the PRC real estate industry. They also have considerable strategic planning and business management expertise. Our chairman, Hoi Kin Hong, is a recognized leader in large-scale commercial property development in China and highly reputed in the industry. He has received a number of accolades including Contributor to Real Estate Brands in China (中國房地產品牌貢獻人物) from the China Index Academy (中國指數研究院) and Certificate of the Most Influential Entrepreneurs in China (中國最具影響力企業家) from the China Index Academy (中國指數研究院), in recognition of his achievements as an entrepreneur and his contribution to the commercial real estate industry in China. In addition, our chief executive director, Hoi Wa Fong, received the Most Influential Person in China Real Estate award and was named in the Person of the Year in the China Commercial Property Value List. Our executive directors and senior management personnel have been working with us for an average of six years, and form a stable core team which has operated well together. We believe the stability of our management team, the extensive experience of its members in the integrated retail property industry and its in-depth understanding of the integrated retail property market in our target regions will help us to take advantage of future business opportunities and expand into new markets.

We are a leading property developer in China. We believe that our successful operations since our inception have helped us to make our brand name "Powerlong Real Estate" and our product brand "Powerlong Plaza" synonymous with large-scale, high-quality, innovative and well-designed integrated retail and residential complexes. We also believe that our well-recognized brand name coupled with our distinctive model of property development has helped us to command premium pricing and thus increased our profitability. We have received many awards in recognition of the high-quality design and construction of our successful property development operations. These awards are issued on an annual basis by the organizers based on, among others, their assessment of the candidates' total assets, total liabilities, total revenue, net profit, GFA under development, GFA of completed properties, land reserve, and donations made to charitable organizations. We believe that our well-recognized brand name will help us to successfully replicate our past success in other regional markets across China in which we choose to execute our expansion strategy.

OUR BUSINESS STRATEGIES

Our principal business strategies are:

Strategic commercial property projects to generate stable recurring income and product positioning

We intend to develop more commercial properties such as hotels, shopping malls and office buildings to generate stable recurring income. We also plan to establish ourselves as a leading commercial complex operator in China through continuous innovations and improvements to our current business model. We plan to continue to leverage upon our "Powerlong" business model and develop large-scale, integrated retail and residential complexes in cities and districts with good growth potential across China. We believe that by focusing on these cities and districts, we will be able to capitalize on the increased demand for quality properties driven by heightened regional business activities. We believe that our "Powerlong" business model enhances the lifestyles of the residents of our projects and surrounding areas by providing them with a one-stop solution to their staple needs. Although rental income from investment properties in 2018 only accounted for approximately 5.7% of our consolidated revenue, we intend to continue to increase our portfolio of investment properties to generate stable and recurrent revenue and capture potential appreciation in value. As competition continues to intensify in the PRC real estate market, we believe our strategy of maintaining a well-diversified revenue base and risk profile will strengthen our competitiveness and support our continued business expansion.

Achieve further geographical diversification in China

We intend to continue to focus our property developments in the Yangtze River Delta, in particular Shanghai municipality as well as other high growth provinces such as Shandong province and Fujian province. We believe that the Yangtze River Delta will remain one of the most economically dynamic regions in China, and that we will be able to continue to capitalize on the mass market housing demand for residential property as well as other types of property we develop in this region. We plan to pursue further geographical diversification through expansion into other select high-growth areas in China.

Continue to actively monitor and manage capital needs

We intend to continue to actively monitor and manage our liquidity position by taking into account our capital needs, available cash and financing options. We plan to leverage our brand name recognition and reputation and our competitive advantages in the industry to achieve better fund raising results in capital markets. We intend to continue to increase our land reserves and strategically select new locations for future project development in order to grow our business. We also plan to improve our property developments to provide more innovative products and extract from our experiences as a leading developer of integrated retail and residential complexes, to meet customers' needs and preferences in the areas we expand to.

Continue to develop standardized product lines

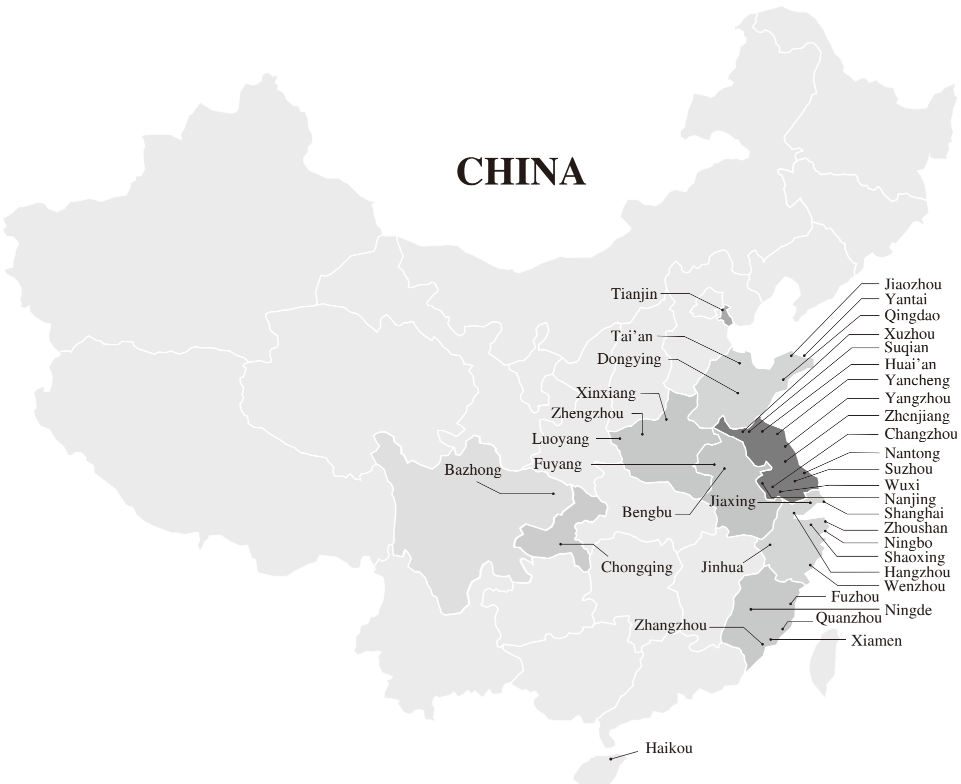
We intend to continue to develop standardized product lines to achieve rapid asset turnover and expand the scale of our development while keeping costs competitive. For example, certain of our main product lines, including our community-commercial complexes, sub-urban center commercial complexes and city center commercial complexes, have been implemented in cities across China and are designed to offer comfortable and convenient community lifestyles and a portfolio of standard architectural plans and designs. We believe standardized product lines and development processes will allow us to achieve efficient use of capital and other resources and develop new projects on a timely basis. Further, we believe that continuing to refine our standardized project development and design model and expand its application will enable us to enhance our management efficiency, reduce operating costs and expenses and improve our risk control.

Standardize and improve operation management

We intend to standardize operation management by drawing on the expertise and experience of our senior management and actively interact with international business partners and professional advisors. We intend to maintain an organizational structure and information technology platform that is consistent with our business development plans to maintain and increase and improve the efficiency as well as cost and quality control of our operations. We also intend to continue to develop and strengthen our long-term partnerships with domestic and international retailers and expand our mix of anchor tenants for the retail complexes we develop. We believe that such partnerships with well-known retailers, including Carrefour, Suning Electronics, Walmart and TESCO will allow us to maintain the quality and value of our properties. We also believe that we will be able to introduce them to similar projects in other target markets and further enhance our "Powerlong" brand.

OUR PROPERTY PROJECTS

As of December 31, 2018, we owned, operated and managed projects in 38 cities and municipalities in China. Please see the map below for the locations of our completed properties, properties under development and properties held for future development.



As of December 31, 2018, we (i) owned a total of 114 property projects and (ii) operated and managed three property projects not owned by us, in the follow categories in accordance with our classification system:

- completed GFA, comprising GFA that we have completed since our inception;

- GFA under development, comprising GFA with land use rights certificates issued by the relevant government authorities and the construction thereof commenced but for which the certificates of completion have not been obtained;

- GFA held for future development, comprising GFA with respect to which we have signed the relevant land grant contracts with the relevant PRC authorities but for which the construction have not commenced; and

- properties operated and managed by us.

Property Classification. Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project may require multiple land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which are issued at different stages throughout the development process.

Site Area Calculation. The site area information in this offering circular is derived on the following basis:

- when we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in such land use rights certificates; and

- before we have received the land use rights certificates, the site area information in respect of the related projects refers to the site area information in the relevant land grant contracts or the relevant government permits related to the projects excluding, however, the areas earmarked for public infrastructure such as roads and community recreation zones.

GFA Calculation. The GFA information in this offering circular is derived on the following basis:

- if we have obtained the property ownership certificates for the projects, the saleable GFA information refers to the saleable GFA in the property ownership certificates;

- if we have not yet obtained the property ownership certificates but have obtained the construction permits, the total GFA information in respect of these projects refers to the total GFA in such construction permits;

- if we have not yet obtained the construction permits but have obtained the construction works planning permits for the projects, the total GFA information in respect of these projects refers to the total GFA in such construction works planning permits;

- if we have not yet obtained the construction works planning permits, but have received the land use rights certificates for the projects, the total GFA information in respect of these projects refers to the total GFA in such land use rights certificates; and

- if we have not obtained the land use rights certificates, but have signed the land grant contracts, the total GFA information in respect of these projects refers to the total GFA in such land grant contracts.

Total GFA stated in the property ownership certificates, construction permits and construction works planning permits includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

GFA held for sale and GFA held for lease information in this offering circular include GFA of car parking spaces unless otherwise specified. GFA sold information refers to the GFA in the relevant sale and purchase agreements on an aggregate basis.

GFA held for sale and GFA held for lease information are based on our Company and the directors' current plan and intention and may therefore be subject to adjustment.

As at December 31, 2018, the development status of our property projects was as follows:

Project	Type	Site area	Total GFA	Completed GFA development	GFA under development	GFA held for future development
		('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Fujian Province						
Xiamen Powerlong One Mall (廈門寶龍一城)	Commercial	74.0	383.2	301.2	82.0	—
Xiamen Powerlong Lakeside Mansion (廈門寶龍御湖官邸)	Commercial/residential	29.8	77.7	77.7	—	—
Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	Commercial/residential	86.9	332.0	332.0	—	—
Quanzhou Jinjiang Powerlong Golden Jiayuan (泉州晉江寶龍金色家園)	Residential	37.5	144.0	144.0	—	—
Quanzhou Yongchun Powerlong Plaza (泉州永春寶龍廣場)	Residential	59.0	384.6	358.8	25.8	—
Quanzhou Anhai Powerlong Haoyuan (泉州安海寶龍豪苑)	Residential	36.0	54.0	54.0	—	—
Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	Commercial/residential	135.4	771.0	771.0	—	—
Zhangzhou Yunxiao General Avenue No. 1 (漳州雲霄將軍一號)	Residential	25.7	111.3	111.3	—	—
Fuzhou Powerlong Plaza (福州寶龍廣場)	Commercial	72.9	218.3	218.3	—	—
Quanzhou Jinjiang Powerlong Mansion (泉州晉江寶龍世家)	Commercial/residential	42.0	158.6	—	158.6	—
Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	Commercial/residential	45.5	177.3	—	–	177.3
Ningde Fuding Nanwan District Lot 905B Project (寧德福鼎南灣片區905B地塊項目)	Commercial/residential	50.7	200.9	—	—	200.9
Quanzhou Taitou Xinghe City (泉州台投星河城)	Commercial/residential	185.5	668.9	—	668.9	—
Quanzhou Jinjiang Xintang Changnan Project (泉州晉江新塘城南項目)	Commercial/residential	65.3	193.3	—	193.3	—
Quanzhou Jinjiang Xintang Park Project (泉州晉江新塘園區項目)	Commercial/residential	89.5	346.2	—	346.2	—
Zhangzhou Yunjing Liji Powerlong Plaza (漳州雲景裏及寶龍廣場)	Commercial/residential	68.5	227.2	—	27.1	200.1
	Sub-total	1,104.2	4,448.5	2,368.3	1,501.9	578.3
Shanghai Municipality						
Shanghai Qibao Powerlong City (上海七寶寶龍城)	Commercial	83.7	382.7	382.7	—	—
Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	Commercial/residential	147.4	308.5	308.5	—	—
Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	Commercial	40.9	192.9	192.9	—	—
Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	Commercial	40.7	179.0	179.0	—	—
Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	Commercial	14.0	35.8	35.8	—	—
Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	Commercial	71.2	167.5	167.5	—	—
Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	Commercial	31.8	86.6	86.6	—	—
Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	Commercial	63.6	348.1	348.1	—	—
Shanghai Wujing Powerlong Plaza (上海吳涇寶龍廣場)	Commercial	41.1	91.3	91.3	—	—
Shanghai Wujing Minhang New Town Project (上海吳涇閔行新城項目)	Commercial	32.0	82.9	—	82.9	—
Shanghai Lingang Powerlong Mansion (上海臨港寶龍世家)	Commercial/residential	31.1	84.8	84.8	—	—
Shanghai Jiuting Center (上海九亭中心)	Commercial	83.4	305.7	—	305.7	—
Shanghai Baoshan Powerlong Plaza (上海寶山寶龍廣場)	Commercial	56.8	270.4	—	270.4	—
Shanghai Guozhan Powerlong City (上海國展寶龍城)	Commercial	93.5	406.5	—	406.5	—
Shanghai Longhu Tianlang (上海龍湖天琅)	Commercial	41.7	139.3	—	139.3	—
Shanghai Yangpu Central Innovation Centre (上海楊浦環創中心)	Commercial	36.5	174.5	—	174.5	—
	Sub-total	909.4	3,256.5	1,877.2	1,379.3	—

Project	Type	Site area	Total GFA	Completed GFA development	GFA under development	GFA held for future development
		('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Jiangsu Province						
Suqian Powerlong Plaza (宿遷寶龍廣場)	Commercial/residential	220.2	486.3	486.3	—	—
Changzhou Powerlong Plaza (常州寶龍廣場)	Commercial/residential	270.3	1,057.3	637.4	—	419.9
Yangzhou Powerlong Plaza (揚州寶龍廣場)	Commercial/residential	61.3	231.3	231.3	—	—
Wuxi Wangzhuang Powerlong Plaza (無錫旺莊寶龍城市廣場)	Commercial	77.0	287.1	287.1	—	—
Wuxi Powerlong Mansion (無錫寶龍世家)	Commercial/residential	248.7	431.8	—	185.5	246.3
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	Commercial/residential	156.6	345.9	345.9	—	—
Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	Commercial	178.1	245.6	192.7	52.9	—
Zhenjiang Powerlong International Garden (鎮江寶龍國際花園)	Residential	97.3	382.0	382.0	—	—
Huai'an Powerlong Land (淮安寶龍天地)	Commercial	107.1	152.5	31.6	—	120.9
Yancheng Powerlong Plaza (鹽城寶龍廣場)	Commercial/residential	221.2	494.7	494.7	—	—
Suzhou Taicang Powerlong Plaza (蘇州太倉寶龍廣場)	Commercial/residential	130.8	288.5	266.4	—	22.1
Xuzhou Powerlong Palace (徐州寶龍觀邸)	Residential	194.8	154.8	—	154.8	—
Suzhou Bay Tianpo (蘇州蘇洲灣天鉑)	Commercial/residential	107.9	367.2	—	367.2	—
Huai'an Qingjiangpu Powerlong Mansion (淮安清江浦寶龍世家)	Commercial/residential	93.7	276.9	—	206.1	70.8
Xuzhou Fengxian Powerlong Mansion (徐州豐縣寶龍世家)	Commercial/residential	195.6	643.6	—	135.4	508.2
Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	Commercial/residential	186.1	479.8	3.8	73.4	402.6
Zhenjiang Yuefu (鎮江樾府)	Commercial/residential	55.8	235.9	—	235.9	—
Nanjing Jianging Jinmaoyue (南京江寧金茂悅)	Resiedential	86.6	291.3	—	140.6	150.7
Nanjing Qixia Project (南京棲霞區項目)	Commercial/residential	52.0	388.0	—	7.8	380.2
Nanjing Gaochun Longhua Life Plaza (南京高淳龍華生活廣場)	Commercial/residential	79.6	234.7	—	213.8	20.9
Nanjing Gaochun Phase 2 Project (南京高淳二期項目)	Commercial/residential	38.9	140.8	—	—	140.8
Nantong Tianbo Garden (南通天鉑花園)	Commercial/residential	150.1	496.2	—	496.2	—
Xuzhou Fenghuang Yuanzhe (徐州鳳凰源著)	Residential	69.0	125.3	—	125.3	—
Suzhou Changshu Guli Project (蘇州常熟古里項目)	Residential	66.6	174.0	—	36.1	137.9
Suzhou Changshu Xinzhuang Project (蘇州常熟辛莊項目)	Residential	69.1	190.9	—	—	190.9
	Sub-total	3,214.4	8,575.4	3,359.2	2,404.0	2,812.2
Zhejiang Province						
Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	Commercial	59.3	192.9	192.9	—	—
Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)	Commercial	92.6	357.1	357.1	—	—
Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	Commercial	76.9	397.3	190.5	206.8	—
Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	Commercial	45.8	223.2	223.2	—	—
Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	Commercial/residential	119.5	453.0	184.4	268.6	—
Hangzhou Donghu City (杭州東湖城)	Commercial	88.5	279.1	—	279.1	—
Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)	Commercial/residential	94.9	386.3	—	386.3	—
Hangzhou Lin'an Powerlong Xuhui City (杭州臨安寶龍旭輝城)	Commerical	120.8	514.3	—	514.3	—
Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	Commerical	45.0	133.8	—	133.8	—
Ningbo Powerlong Mansion (寧波寶龍世家)	Residential	49.7	120.7	—	120.7	—
Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	Commercial/residential	72.1	350.9	—	350.9	—
Ningbo Powerlong Land (寧波寶龍天地)	Commercial/residential	24.7	62.6	—	62.6	—
Ningbo New Long Island Garden (寧波新長島花園)	Residential	77.8	222.5	—	222.5	—
Zhoushan Putuo Project (舟山普沱項目)	Commercial/residential	101.9	221.2	—	221.2	—
Wenzhou Powerlong Plaza (溫州寶龍廣場)	Commercial/residential	191.3	481.7	—	152.6	329.1
Wenzhou Emerald World Project (溫州翡翠天地)	Residential	55.8	316.7	—	316.7	—
Ningbo Sanjiang Palace (寧波三江觀邸)	Residential	51.6	143.7	—	143.7	—
Ningbo Fenghua Lot 3-08 Project (寧波奉化3-08地塊項目)	Residential	22.2	73.9	—	73.9	—
Ningbo Fenghua Lot 1-18/21 Project (寧波奉化1-18/21地塊項目)	Residential	19.0	46.0	—	46.0	—
Ningbo Fengyong New Town (寧波奉甬新城)	Commercial/ residential	45.9	332.8	—	332.8	—
Ningbo Powerlong City-Tianxi (寧波龍寶城 • 天璽)	Commercial/ residential	121.1	546.9	—	—	546.9
Ningbo Yuyao North Lot A-1 Project (寧波余姚北A-1地塊項目)	Commercial/ residential	38.3	107.1	—	—	107.1
Ningbo Yuyao North Lot A-2 Project (寧波余姚北A-2地塊項目)	Commercial/ residential	41.5	130.5	—	—	130.5
Zhoushan Dinghai Powerlong Plaza (舟山定海寶龍廣場)	Commercial/ residential	33.3	91.3	—	91.3	—
Zhoushan Harbour City (舟山海港城)	Commercial/ residential	89.5	324.1	—	324.1	—
Hangzhou Chengxi Powerlong Plaza (杭州城西寶龍廣場)	Commercial	64.4	344.1	—	216.5	127.6
Shaoxing Powerlong Mansion (紹興寶龍世家)	Commercial/ residential	198.0	567.6	—	567.6	–
Shaoxing Zhuji Project (紹興諸暨項目)	Commercial/ residential	111.1	366.5	—	—	366.5
Jinhua Yongkang Powerlong Plaza (金華永康寶龍廣場)	Commercial/ residential	68.8	348.3	—	—	348.3
Jinhua Yiwu Meide Powerlong Mansion (金華義烏美的寶龍世家)	Commercial/ residential	83.5	285.3	—	285.3	—
Jinhua Yiwu Lugang New District Lot 27 (金華義烏陸港新區27號地塊)	Commercial/ residential	81.7	207.3	—	—	207.3
Jinhua Yiwu Lugang New District Lot 34 (金華義烏陸港新區34號地塊)	Commercial/ residential	105.8	286.6	—	—	286.6
Jiaxing Haining Jianshan Powerlong Mansion (嘉慶海寧尖山寶龍世家)	Residential	65.7	118.3	—	—	118.3
	Sub-total	2,558.0	9,033.6	1,148.1	5,317.3	2,568.2

Project	Type	Site area	Total GFA	Completed GFA development	GFA under development	GFA held for future development
		('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Anhui Province						
Fuyang Powerlong Plaza (阜陽寶龍廣場)	Commercial/resdiential	170.4	749.7	719.5	30.2	—
Bengbu Powerlong Plaza (蚌埠寶龍廣場)	Commercial/resdiential	192.3	498.6	498.6	—	—
	Sub-total	362.7	1,248.3	1,218.1	30.2	—
Tianjin Municipality						
Tianjin Yujiapu Powerlong International Center (天津于家堡寶龍國際中心)	Commercial/residential	30.1	362.0	257.5	104.5	—
Tianjin North Green Area (天津北綠地地塊)[3]	Commercial	73.4	110.0	—	—	110.0
Tianjin Powerlong City (天津寶龍城)	Commercial/residential	444.5	778.4	710.9	67.5	—
Tianjin Yujing City (天津愉景城)	Residential	135.0	288.5	—	211.4	77.1
Tianjin Beitang Jiuli Qingchuan (天津北塘九裏晴川)	Residential	149.2	262.3	—	234	28.3
	Sub-total	832.2	1,801.2	968.4	617.4	215.4
Shandong Province						
Dongying Powerlong Plaza (東營寶龍廣場)	Commercial/residential	138.7	455.1	263.2	—	191.9
Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	Commercial/residential	152.2	617.7	617.7	—	—
Tai'an Powerlong Plaza (泰安寶龍廣場)	Commercial/residential	237.5	271.2	271.2	—	—
Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	Commercial/residential	107.2	369.3	369.3	—	—
Qingdao Jiaozhou Powerlong Art Villa (青島膠州寶龍大沽河藝術村)[3]	Commercial/residential	128.5	257.8	124.9	37.1	95.8
Yantai Haiyang Powerlong City (煙台海陽寶龍城)	Commercial/residential	668.2	407.1	137.7	—	269.4
Yantai Laishan Powerlong Plaza (煙台萊山寶龍廣場)	Commercial/residential	33.7	169.1	169.1	—	—
Yantai Penglai Powerlong Plaza (煙台蓬萊寶龍廣場)	Commercial/residential	164.5	347.8	314.8	33.0	—
Yantai Haiyang Powerlong Mansion (煙台海陽寶龍世家)	Commercial/residential	241.7	549.0	—	161.8	387.2
Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場)	Commercial/residential	78.6	335.2	335.2	—	—
Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	Commercial/residential	319.8	707.1	707.1	—	—
	Sub-total	2,270.6	4,486.4	3,310.2	231.9	944.3
Henan Province						
Xinxiang Powerlong Plaza (新鄉寶龍廣場)	Commercial/residential	300.0	1,236.6	780.6	456.0	—
Luoyang Powerlong Plaza (洛陽寶龍廣場)	Commercial/residential	355.6	1,363.6	1,184.1	172.6	6.8
Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	Commercial/residential	134.0	251.6	251.6	—	—
	Sub-total	789.6	2,851.7	2,216.3	628.6	6.8
Hainan Province						
Haikou Global 100 Powerlong City (海口環球100寶龍城)	Commercial/residential	991.9	2,039.4	168.1	724.8	1,146.5
	Sub-total	991.9	2,039.4	168.1	724.8	1,146.5
Chongqing Municipality						
Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	Commercial/residential	180.2	620.8	613.3	7.5	—
	Sub-total	180.2	620.8	613.3	7.5	—
Sichuan Province						
Bazhong Powerlong Pavilion (巴中寶龍名邸)[3]	Residential	91.8	172.0	82.2	—	89.8
	Sub-total	91.8	172.0	82.2	—	89.8
	Total	13,305.0	38,533.8	17,329.4	12,842.9	8,361.5

Notes:

(1) GFA figures in the above table may not correspond to GFA figures in the main body of this offering circular due to rounding and classification.

(2) Our properties in Mingfa Commercial Plaza are not included in this table as the properties were not developed by us. We acquired these properties on December 31, 2012.

(3) We have not obtained all or part of the land use rights certificates for these projects.

(4) Part of the property will be repurchased by a local state-owned company while another part of the property will be constructed for use of affordable housing which will be delivered to the local government for free.

(5) The local government has a right of first refusal with respect to part of this project with a GFA of around 50,000 square meters.

The table below sets forth the total GFA held for lease and other relevant information in our projects as of December 31, 2018.

Project	GFA HELD FOR LEASE[1]			
	Completed GFA[2]	GFA under development	GFA held for future development	Total
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Fujian Province				
Xiamen Powerlong One Mall (廈門寶龍一城)	212.9	82.0	—	294.9
Quanzhou Anxi Powerlong Plaza (泉州安溪寶龍廣場)	86.7	—	—	86.7
Quanzhou Jinjiang Powerlong Plaza (泉州晉江寶龍廣場)	239.1	—	—	239.1
Fuzhou Powerlong Plaza (福州寶龍廣場)	121.6	—	—	121.6
Ningde Fuding Nanwan District Lot 905A Project (寧德福鼎南灣片區905A地塊項目)	—	—	3.1	3.1
Quanzhou Taitou Xinghe City (泉州台投星河城)	—	180.3	—	180.3
Zhangzhou Yunjing Liji Powerlong Plaza (漳州雲裏及寶龍廣場)	—	1.8	48.2	50.0
Shanghai Municipality				
Shanghai Qibao Powerlong City (上海七寶寶龍城)	116.6	—	—	116.6
Shanghai Hongqiao Powerlong Land (上海虹橋寶龍天地)	42.7	—	—	42.7
Shanghai Jiading Powerlong Plaza (上海嘉定寶龍廣場)	73.9	—	—	73.9
Shanghai Fengxian Powerlong Plaza (上海奉賢寶龍廣場)	93.7	—	—	93.7
Shanghai Luodian Powerlong Plaza (上海羅店寶龍廣場)	21.9	—	—	21.9
Shanghai Baoshan Powerlong Plaza (上海寶山寶龍廣場)	—	157.6	—	157.6
Shanghai Caolu Powerlong Plaza (上海曹路寶龍廣場)	91.7	—	—	91.7
Shanghai Lingang Powerlong Plaza (上海臨港寶龍廣場)	57.7	—	—	57.7
Shanghai Qingpu Powerlong Plaza (上海青浦寶龍廣場)	139.1	—	—	139.1
Shanghai Wujing Powerlong Plaza (上海吳涇寶龍廣場)	43.3	—	—	43.3
Shanghai Jiuting Centre (上海九亭中心)	—	61.0	—	61.0
Shanghai Guozhan Powerlong City (上海國展寶龍城)	—	302.9	—	302.9
Shanghai Yangpu District Huanchuang Centre (上海楊浦環創中心)	—	139.2	—	139.2
Shanghai Wujing New Minhang Town Project (上海吳涇閔行新城項目)	—	45.9	—	45.9
Shanghai Lingang Powerlong Shijia (上海臨港寶龍世家)	26.5	—	—	26.5
Shanghai Longhu Tianlang (上海龍湖天狼)	—	92.4	—	92.4
Jiangsu Province				
Suqian Powerlong Plaza (宿遷寶龍廣場)	150.7	—	—	150.7
Changzhou Powerlong Plaza (常州寶龍廣場)	107.1	—	59.7	166.8
Yangzhou Powerlong Plaza (揚州寶龍廣場)	92.9	—	—	92.9
Wuxi Wangzhuang Powerlong Plaza (無錫旺庄寶龍城市廣場)	156.4	—	—	156.4
Zhenjiang Powerlong Plaza (鎮江寶龍廣場)	104.3	18.5	—	122.8
Wuxi Powerlong Mansion (無錫寶龍世家)	—	—	41.1	41.1
Huai'an Powerlong Land (淮安寶龍天地)	7.8	—	—	7.8

Project	GFA HELD FOR LEASE[(1)]			
	Completed GFA[(2)]	GFA under development	GFA held for future development	Total
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Yancheng Powerlong Plaza (鹽城寶龍廣場)	191.6	—	—	191.6
Suzhou Taicang Powerlong Plaza (蘇州太倉寶龍廣場)	73.3	—	—	73.3
Nantong Tianbo Garden (南通天鉑花園)	—	140.9	—	140.9
Nanjing Qixia Project (南京栖霞區項目)	—	—	156.1	156.1
Nanjing Gaochun Longhua Life Plaza (南京高淳龍華生活廣場)	—	73.6	—	73.6
Wuxi Yuqi Powerlong Riverside Garden (無錫玉祁寶龍湖畔花城)	39.8	—	—	39.8
Nanjing Gaochun Phase 2 Project (南京高淳二期項目)	—	—	16.0	16.0
Yancheng Chengdong Powerlong Plaza (鹽城城東寶龍廣場)	—	—	80.2	80.2
Zhenjiang Yuefu (鎮江樾府)	—	76.1	—	76.1
Zhejiang Province				
Hangzhou Fuyang Powerlong Plaza (杭州富陽寶龍廣場)	30.4	—	—	30.4
Hangzhou Xiasha Powerlong Plaza (杭州下沙寶龍廣場)	110.5	—	—	110.5
Hangzhou Binjiang Powerlong City (杭州濱江寶龍城)	144.7	76.3	—	221.0
Hangzhou Xiaoshan Powerlong Plaza (杭州蕭山寶龍廣場)	64.2	—	—	64.2
Hangzhou Dajiangdong Powerlong Plaza (杭州大江東寶龍廣場)	2.4	38.4	—	40.8
Hangzhou Lin'an Powerlong Plaza (杭州臨安寶龍廣場)	—	63.5	—	63.5
Hangzhou Lin'an Powerlong Xuhui City (杭州臨安寶龍旭煇城)	—	164.6	—	164.6
Ningbo Powerlong Land (寧波寶龍天地)	—	31.9	—	31.9
Ningbo Gaoxin Powerlong Plaza (寧波高新寶龍廣場)	—	44.9	—	44.9
Ningbo Yinzhou Powerlong Plaza (寧波鄞州寶龍廣場)	—	101.2	—	101.2
Zhoushan Dinghai Powerlong Plaza (舟山定海寶龍廣場)	—	38.7	—	38.7
Zhoushan Harbour City (舟山海港城)	—	153.8	—	153.8
Zhoushan Putuo Project (舟山普沱項目)	—	28.7	—	28.7
Shaoxing Powerlong Mansion (紹興寶龍世家)	—	55.6	—	55.6
ShaoxingZhuji Project (沼興諸暨項目)	—	—	174.3	174.3
Ningbo Fonghua Lot 3-08 Project (寧波奉化3-08地塊項目)	—	4.1	—	4.1
Ningbo Fonghua Lot 1-18/21 Project 寧波奉化1-18/21地塊項目	—	1.5	—	1.5
Ningbo Fongyong New Town (寧波奉甬新城)	—	143.6	—	143.6
Ningbo Powerlong City - Tianxi (寧波寶龍城天璽)	—	—	286.3	286.3
Ningbo Yuyao North Lot A-1 Project (寧波姚余北A-1地塊項目)	—	—	22.0	22.0
Ningbo Yuyao North Lot A-2 Project (寧波姚余北A-2地塊項目)	—	—	40.1	40.1
Hangzhou Chengxi Powerlong Plaza (杭州城西寶廣場)	—	107.1	85.8	192.9
Jinhua Yiwu Lugang New District Lot 27 (金華義烏陸港新區27號地塊)	—	—	65.6	65.6
Wenzhou Powerlong Plaza (溫州寶龍廣場)	—	—	39.4	39.4

Project	GFA HELD FOR LEASE[1]			
	Completed GFA[2]	GFA under development	GFA held for future development	Total
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
Anhui Province				
Fuyang Powerlong Plaza (阜陽寶龍廣場)	167.3	30.2	—	197.5
Bengbu Powerlong Plaza (蚌埠寶龍廣場)	272.3	—	—	272.3
Tianjin Municipality				
Tianjin Yujiapu Powerlong International Center (天津于家堡寶龍國際中心)	45.8	—	—	45.8
Tianjin North Green Area (天津北綠地地塊)	—	—	99.8	99.8
Tianjin Powerlong City (天津寶龍城)	2.1	34.4	—	36.5
Shandong Province				
Dongying Powerlong Plaza (東營寶龍廣場)	40.3	—	81.6	121.9
Qingdao Jimo Powerlong Plaza (青島即墨寶龍廣場)	166.9	—	—	166.9
Tai'an Powerlong Plaza (泰安寶龍廣場)	88.0	—	—	88.0
Yantai Haiyang Powerlong City (煙臺海陽寶龍城)	76.4	—	—	76.4
Yantai Laishan Powerlong Plaza (煙臺萊山寶龍廣場)	51.2	—	—	51.2
Yantai Penglai Powerlong Plaza (煙臺蓬萊寶龍廣場)	113.1	25.4	—	138.5
Qingdao Jiaozhou Powerlong Plaza (青島膠州寶龍廣場)	103.8	—	—	103.8
Qingdao Jiaozhou Powerlong Art Villa (青島膠州寶龍大沽河藝術村)	14.6	—	—	14.6
Qingdao Chengyang Powerlong Plaza (青島城陽寶龍廣場)	302.0	—	—	302.0
Qingdao Licang Powerlong Plaza (青島李滄寶龍廣場)	200.3	—	—	200.3
Henan Province				
Xinxiang Powerlong Plaza (新鄉寶龍廣場)	119.0	63.7	—	182.7
Luoyang Powerlong Plaza (洛陽寶龍廣場)	238.2	34.7	6.8	279.7
Zhengzhou Powerlong Plaza (鄭州寶龍廣場)	139.1	—	—	139.1
Chongqing Municipality				
Chongqing Hechuan Powerlong Plaza (重慶合川寶龍廣場)	97.1	4.4	—	97.1
Hainan Province				
Haikou Global 100 Powerlong City (海口環球100寶龍城)	—	80.6	20.4	101.0
Total	4,881.0	2,695.1	1,326.5	8,902.6

Note:

(1) GFA figures in the above table may not correspond to GFA figures in the main body of this offering circular due to rounding and classification.

(2) GFA figures are inclusive of GFA in respect of car parking spaces.

(3) We acquired certain properties in Mingfa Commercial Plaza on December 31, 2012. As these properties were not developed by us, they are not considered our property projects.

NEWLY ACQUIRED LAND

For details of the newly acquired land after December 31, 2018, please refer to "Recent Developments — Newly Acquired Parcels of Land" for details.

PROPERTY DEVELOPMENT

Our business operations primarily involve the development and operation of high-quality, large-scale, integrated commercial and residential complexes targeting retail property tenants and buyers. We also develop and sell quality residential properties targeting individual property buyers. We currently have operations in a number of cities in Fujian Province, Jiangsu Province, Shandong Province, Henan Province, Anhui Province, Zhejiang Province, Hainan Province and Sichuan Province, as well as Tianjin Municipality, Shanghai Municipality and Chongqing Municipality. Our projects typically comprise integrated commercial and residential complexes. In certain selected cities, depending on location and the expected market demand, we may also include high-quality hotels or large-scale indoor amusement parks in our projects. We will continue to expand our business in the regions in which we currently operate as well as strategically expand into selected cities in other regions in China when opportunities arise.

PROJECT DEVELOPMENT PROCESS

City and Site Selection

We review cities and sites in China to identify potential development opportunities. Our board, our investment development center, our investment decision committee and certain senior management personnel are actively involved in the city and site selection process and closely follow our established site and city selection guidelines. Our investment development center consists of our market research and business development personnel and our investment decision committee consists of certain members of our board and senior management. Our directors and senior management personnel involved in city and site selection, including Hoi Kin Hong and Hoi Wa Fong have extensive experience in the PRC real estate industry. Our current projects are chosen after a thorough screening process comprising numerous site visits and thorough market research and analysis. Prior to purchasing a parcel of land, we collect all relevant information regarding the potential acquisition opportunity and conduct preliminary feasibility studies and market research to evaluate the potential risk and return of the investment, potential property demand in that area, preferences of the target customer groups and potential competition from other property developers in the vicinity. For our market research and analysis, we typically obtain information from research reports produced by independent third party market researchers and data compiled internally by our investment development division through their own research. We also rely on data extracted from official government publications and other publications produced by relevant industry associations.

Before we decide whether to expand into a city or acquire a site, we consider the compatibility of the acquisition opportunity with our overall investment strategy and objectives. We then draw up an initial project development blue print and conduct a preliminary feasibility study. If we are satisfied with the result of the feasibility study, we will continue with our due diligence investigations and conduct more detailed analysis of the acquisition. If the due diligence result is satisfactory, we will prepare a detailed project design and investment return analysis. This will then be passed to our investment development center for their review in preparation of a further feasibility study report. This report is submitted to our investment decision committee for final consideration and approval. We will proceed with the acquisition if we conclude from our evaluation procedures that a particular site has good development potential and an acceptable risk profile. We believe all these pre-purchase measures help us to acquire land prudently and develop our projects with a clear market positioning from the beginning. We have formulated a set of criteria in our city selection process, including:

- size and population of the city;
- general economic development;
- purchasing power of the residents;
- urban planning and development;

- local government administrative efficiency and service attitude;
- anticipated demand for private commercial and residential properties;
- future land availability; and
- overall competitive landscape.

We consider the following factors for site selection:

- site area and suitability for large-scale integrated commercial and residential development;
- location within the city;
- neighboring environment and public amenities such as transport;
- consumer behavior of residents and their way of life;
- infrastructure available or to be made available by the local government;
- government planning for the area; and
- overall cost structure of the potential development.

We believe the most important factor in our decision to undertake a property project investment is the relative land acquisition costs to expected selling prices and expected rental income to be derived from our tenants.

Land Acquisition

Under current PRC laws and regulations, land use rights for property development must be granted by the relevant governmental authorities via public tender, auction or listing-for-sale. Listing-for-sale is where the grantor issues a listing-for-sale announcement specifying a set of land grant conditions. The conditions will be listed for a period within which bidders can make payment applications. The successful bidder to be granted the land will be announced at the end of the listing period. In an acquisition of land by tender, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal in deciding to whom to grant the land use rights. Grantees of land use rights may, however, dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the land grant contracts and relevant laws and regulations. During the three years ended December 31, 2016, 2017 and 2018, we obtained most of our land through public tenders and listings-for-sale.

As a property developer and operator focusing on development and operation of high-quality, large-scale, integrated retail and residential complexes, we believe that acquiring land at competitive price is critical to our overall development strategy. We currently expect to build up sufficient land reserves to fulfill our development requirements for the next three years on a rolling basis. As of December 31, 2018, we had a total GFA of approximately 21.2 million square meters under development and held for future development. We continually search for land sites that meet our selection criteria.

We typically finance our land acquisition costs with cash generated internally from our operations. However, as we grow larger and gain more access to the debt and equity markets, we may also access the capital market and finance our land acquisition costs with debt and equity instruments.

Project Planning and Design

Once a site is selected, we normally discuss our plans with local governments and provide them with ideas on how the site would be developed in a way that fits into the overall development plan of the city. Our project companies work closely with our internal planning and design department, our external designers and architects in master planning, architectural design, landscape design and interior design. All of these external designers and architects are independent third parties. To ensure that the project design of each of our projects reflects the positioning of our products, our senior management team actively participates during the whole process, especially in the master planning and architectural design of our projects. Upon completion of our properties that are built for rental purposes, we may also render design support and fit-out work for our tenants. However, we do not directly carry out any actual design and fit-out work for our tenants. Our tenants may submit their interior design and fit-out specifications and requirements to us and we will review the submission to determine whether it is in line with the overall style of our project, particularly, the commercial complex. We will assist our tenants to carry out their interior design and fit-out if we approve of their plans.

In determining the design of our projects, we consider:

- the environment surrounding the site;
- local government planning and development requirements or restrictions for the site;
- advice provided by our professional advisors, including architects, planning experts and sales and marketing personnel;
- type of buildings to be developed; and
- requirements and preferences of our principal anchor tenants.

Project Management

We develop and manage our projects through our wholly owned or majority owned regional project companies in the regions in which we have operations. These project companies are responsible for managing the day-to-day operations of each project, including executing plans and standards set by our project management team in the Shanghai headquarters, overseeing construction on site and managing minor design modifications. Our project management team at our Shanghai headquarters is responsible for developing the project development master plan, setting technical and cost specifications, selling prices, overall rental and sale strategies and procurement of the main construction materials and key equipment. Our project management team at our Shanghai headquarters coordinates its efforts with the project companies through detailed project development plans and regular meetings. The project development plans set out allocation of work and performance targets. Any issues or potential problems are identified and discussed at our internal meetings to ensure prompt resolution. In order to ensure that the projects are completed on a timely basis and within the relevant budget, we monitor the progress of the construction of our projects through the monthly planning and progress review to identify areas that may hinder the progress of the projects. In addition, we monitor the cost of our project developments through monthly cost audits to identify any cost items that may exceed the original budget and thus need to be adjusted. We adhere to our budget and design specifications to minimize changes to our overall project plan.

Project Construction

Our construction work is outsourced to independent construction companies, which are selected through a tender process. We typically invite a minimum of three qualified construction companies to bid for a construction project through a tender by invitation process. We have established a selection procedure to choose our construction contractors in order to ensure compliance with our quality and workmanship standards. The selection procedure involves detailed due diligence work on the contractors during the bidding process before offering the construction contract to them. We typically take into account the contractor's professional qualifications, reputation in the industry, track record, past co-operation with us, financial condition and technical abilities. Our tender and bidding committee, which is comprised of certain members of our board and senior management with tender and bidding, budget and cost control experience in the real estate industry, including Hoi Kin Hong, Hoi Wa Fong and Shi Sze Ni, carefully evaluates the suitability of each potential contractor and determines who we award the contract to. We also review the qualifications and performance of our construction contractors on an annual basis. Under relevant PRC laws and regulations, construction contractors need to have obtained the relevant construction qualification certificates for the type of construction work they carry out before they can undertake such property construction work.

Under our typical construction contracts, we are primarily responsible for preparatory construction work, including resident relocation (if applicable), utilities connection and road construction. The contractor is typically obliged to undertake the construction work in strict compliance with our designs and requirements, and to provide regular progress reports (typically once a week) which enable us to closely monitor the construction progress. Contract payments may be made on a fixed-price, adjustable-price or costs-plus-remuneration basis. Pre-payments are made seven days prior to the proposed commencement date and are deducted during the course of the construction. Further stage construction payments are made upon completion of each specific stage.

Our contractors are typically responsible for procuring the construction materials to be used in our projects, but in certain circumstances, we may specify the supplier, brand and manufacturer of construction materials in order to ensure that they meet our particular requirements. We typically procure other key materials and equipment such as steel, escalators, lifts and air conditioning units ourselves. In relation to some these self-procured materials and equipment, we enter into a tripartite supply agreement with the construction contractor and the materials supplier, under which we are responsible for negotiating the price and the materials supplier is responsible for supplying the materials to the construction contractor. We generally determine whether to procure the construction materials ourselves depending on whether such materials are key materials in our construction process and whether they contribute to a significant proportion of our construction materials costs (for example, steel, lifts and air conditioning units). Under the construction contracts with our contractors, materials procured by our contractors are subject to approval by our on-site engineer and supervisory engineer before they are used in our projects.

We finance construction costs primarily with internal funds, proceeds from pre-sales and bank borrowings. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Quality Control and Construction Supervision

The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. In compliance with PRC laws and regulations, we also engage certified construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. These construction supervision companies conduct quality and safety control checks on all building materials and workmanship on site. They also monitor the progress of construction, work site safety and construction completion schedule. Under relevant PRC laws and regulations, the construction supervision companies are required to obtain supervision qualification certificates in order to be able to carry out supervision work on construction sites during different stages of project construction. Fees paid to the construction supervision companies are determined based on a negotiated percentage of the total construction cost of a project. We typically make monthly payments to the construction supervision company until approximately 80% of the contract sum is paid. The remaining amount is settled within 30 days after the project has passed the requisite completion acceptance inspections.

The contractors are also required to comply with our quality control measures, such as the appointment of on-site project representatives to oversee the progress, quality and safety of the construction work, pre-examination of construction materials before they are used in the project, and on-site inspections. Although we experienced occasional delays in construction and unsatisfactory workmanship during the three years ended December 31, 2016, 2017 and 2018, they were rectified in a timely manner and we did not suffer any material adverse impact with respect to our projects or our results of operations.

Our construction contracts generally provide for progressive payments according to milestones reached, until approximately 80% of the total contract sum is paid. We will settle 15% of the remaining contract fee after the project has passed the completion acceptance inspection. We typically withhold the final 5% of the contract fee for a number of years after completion of construction to give additional assurance and cover any contingent expenses incurred as a result of any construction defects. The unused portion of such warranty fee or retention money will be returned to the contractors after the expiration of the warranty period. Warranty periods typically range from one to two years depending on the type of construction. We believe the amount of retention money we withhold under our construction contracts is in line with industry practice and our directors are of the view that such retention money is sufficient to cover the construction warranties we give to our customers under the sale and purchase agreements.

Pre-sales

Like other developers, we pre-sell properties prior to the completion of their construction. According to the Urban Real Estate Law (中華人民共和國城市房地產管理法) and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法), property developers must satisfy specific conditions before they can pre-sell their properties under construction. These mandatory conditions include the following:

- the land premium must have been paid in full;

- the land use rights certificate, the construction land use planning permit, construction planning permit and the construction commencement permit must have been obtained;

- at least 25% of the total project development investment must have been made;

- the progress and the expected completion and delivery date of the construction must be properly ascertained; and

- the pre-sale permit must have been obtained.

These mandatory conditions are designed to impose a restriction on developers with respect to when pre-sales can commence. They are predicated on substantial progress in project construction and in capital expenditure. Generally, local governments also require developers and property purchasers to use model sale and purchase agreements prepared under the auspices of the government. Developers must file all sale and purchase agreements with local land resources bureaus and state administrations within 30 days of entering into such contracts.

On April 13, 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale system of commodity houses (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not permitted to be pre-sold and the real estate developer are 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 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.

Local governments may have additional conditions for commencing pre-sales of properties. According to relevant regulations applicable in Zhengzhou City, Henan Province, we must also satisfy the following conditions before we can commence pre-sale of properties:

- for a building that is no more than six storeys, the main structural construction has been completed with respect to at least two storeys (including basement);

- for a building that is between seven and 12 storeys, the main structural construction has been completed with respect to at least three storeys (including basement);

- for a building that is more than 12 storeys, the main structural construction has been completed with respect to at least five storeys; and

- a special property pre-sale account has been set up at a commercial bank in the place where the project is located, and an agreement in relation to the supervision of pre-sale bank account has been entered into.

In addition, in relation to our project in Shandong Province, we must ensure that all foundation construction work is completed before we may start pre-sale. In relation to our projects in Wuxi City, we must finish the preliminary connection work of utilities (including water and electricity) before we may commence pre-sale.

We had satisfied the above pre-sale conditions before we started pre-selling the properties we developed.

Prior to the commencement of pre-sales, we set up separate pre-sale bank accounts into which all the pre-sale proceeds from a particular project are paid. We make payment to the construction contractors and suppliers of construction materials according to the progress of construction work. We have complied with the relevant statutory requirements for pre-sales, including but not limited to, applying the pre-sale proceeds only towards the settlement of the construction costs and other costs of the relevant projects pre-sold.

In determining the selling prices of our properties, we conduct market research and prepare a selling price recommendation report taking into account the prices of properties with similar quality in the surrounding areas, construction costs, construction schedule and other investment return considerations. The selling price recommendation report is then submitted to our sales and marketing team for review before it is given to our president for final approval. After the property sales process has commenced, we continue to review and make any necessary adjustments to the selling prices based on market conditions, customer reactions and the selling prices of competing properties in the vicinity.

Sales and Marketing

We maintain a centralized marketing and sales force for all of our development projects in China. Our marketing and sales team conducts the sales and marketing activities for most of our property projects but we also employ external professional property sales agencies from time to time such as branch companies of E-House (China) Holdings Limited, one of the largest property agency and consulting firms in the PRC and a company listed on the New York Stock Exchange, to provide sales and marketing services for certain of our property projects. We believe this approach ensures consistency in our promotion and sales strategy on a nationwide basis. Our centralized marketing team formulates our nationwide marketing strategies and coordinates our promotion activities across the cities in which we operate. The majority of our other sales and marketing staff have approximately three years of industry experience and generally have a good understanding of the local real estate market in the cities where we operate. We offer our local sales and marketing personnel performance-based remuneration packages according to the pre-determined sales target we set for each of our projects as well as other qualitative factors. Our sales and marketing staff at our headquarters also receive bonuses determined based on our overall performance in a particular year. Their responsibilities include market research, brand promotion, sales planning, property pricing and sales management. We train and use our own sales force rather than rely on outside brokers and agents for most of our projects. We believe our own dedicated sales representatives are better positioned to serve our customers and to control our property promotion and selling expenses.

Our sales and marketing staff cooperate closely to determine the appropriate advertising and selling plans for a particular project. They also conduct market research, formulate sales, pre-sales and pricing strategies and plan and organize on-site sale and pre-sale procedures. Our promotion channels include billboard advertisements, promotion over the visual and print media, and model display. As part of our marketing strategy, we organize potential customers to visit our completed projects. These showcase visits facilitate the sales of our properties and help to promote our brand.

Our target rental customer group is retail, hospitality, recreation and entertainment services providers and other business entities looking to lease quality premises in attractive locations. We also sell some of our retail properties if we believe such sale will generate better returns on our investment. We target sales of our residential properties at mid to high income individuals.

Most of the customers of our residential properties purchase our properties with mortgage loans. As is customary in the PRC property industry, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our residential and retail properties up until we complete the construction of the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may pay us using mortgage loans from banks. We typically require our purchasers to pay a nominal non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal sale and purchase agreements, they will forfeit such deposits. Upon executing the formal sale and purchase agreements, the purchasers are typically required to pay not less than 30% of the total purchase price of the property within five days, and the mortgagee banks will pay the remaining balance once the customers have completed the mortgage application procedures. If the purchasers choose to fund their purchases with mortgage loans provided by banks, it is their responsibility to apply for and obtain the mortgage approvals although we will assist them on an as needed basis. The payment terms of sales and pre-sales of properties are substantially identical.

Most of our customers purchase our properties with the assistance of mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. Under the guarantees, we are required to guarantee the timely repayment of the principal and interest amount of the loans by the purchasers. As a guarantor, we are jointly responsible for the payment of the mortgage loan. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers; and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. See "Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans."

Delivery and After-sales Services

We endeavor to deliver our products to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conducting pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project has passed the requisite completion acceptance inspections and obtained the relevant completion acceptance certificate and other government certificates necessary for delivery, our customer service staff will notify our customers in respect of delivery. Our sales and marketing staff, our construction team, together with staff of the property management company, will inspect the properties prior to delivery to ensure quality. If we fail to deliver the property to our customers within 60 days of the date of delivery stipulated in the sale and purchase agreement, we will be liable to pay a monetary penalty of 0.01% of the pre-sale proceeds per day. When we deliver the completed properties to our customers, we are also required to deliver the building quality guarantee certificate (住宅質量保證書). After delivery of completed properties, we are then required to assist our customers with obtaining the property ownership certificates by providing all requisite information to the local titles office for registration.

Our customer service department is responsible for managing our after-sales services. We offer communication channels to our customers for them to provide their feedback and complaints about our products or services, including a telephone hotline and a customer service center at our head office. Our property management companies also handle customer complaints.

Property Management

Prior to delivery of properties to our customers, we engage our wholly owned property management subsidiaries to manage our residential properties and retail properties. After the delivery of properties to customers, with a view to ensuring quality in property management, we continue to engage the same property subsidiaries to provide property management services to customers until the owners of the relevant project developments have become entitled to elect their own property management companies. The services provided by our property management companies include security, property maintenance, gardening and other ancillary services. As of December 31, 2018, owners of all of our developments who had become entitled to elect their property management companies continued to choose our wholly owned property management subsidiaries to manage their properties. As of December 31, 2018, we had not experienced any incident where the owners of our properties terminated the property management services of our property management companies. Our property management companies provide property management services exclusively to properties we have developed.

Our property management companies typically enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party without the prior consent of property owners. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract also sets forth the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners. Property management fees are determined with reference to prevailing market rates as decided by the relevant government authorities. The amount of fees payable by each property owner depends on the GFA of their properties under management. Our property management companies issue monthly invoices to the property owners and the management fees are generally settled on a monthly basis.

INVESTMENT PROPERTIES

Our property investment objective is to achieve recurring rental income and long-term capital appreciation through increases in the value of our properties. We expect to realize our investment objective through the development, sale, management and operation of property projects in China. Our policy is to maintain a balanced portfolio of properties developed for sale, consisting of residential properties, and properties held for lease, consisting of retail properties. We intend to hold an increasing proportion of GFA in the retail properties we have developed as investment properties. As we plan to increase our portfolio of investment properties, revenue from, and profit contributions of, investment properties are expected to increase in the future.

Tenants and Leases

We retain ownership of a portion of the GFA of our commercial complexes. We seek to maintain long-term relationships with our anchor tenants and to maintain a good balance in tenant composition. We have a leasing department which is responsible for formulating the strategies for our rental properties, such as conducting research to enhance the tenant profile and trade mix. We seek tenants who can help us to promote the image of our rental properties and we take into account the following factors when selecting potential tenants:

- reputation and general brand recognition;
- goods and services offered;
- track record and past relationship with us; and
- potential level of lease payments.

Our commercial complex leases for smaller tenants are generally for terms of 24 to 36 months with annual rent reviews indexed to the consumer price index or fixed percentage increases and typically require security deposits of two months' rent. If there are anchor tenants taking comparatively large areas at more than one of our commercial complexes, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of between 10 to 20 years with fixed rent provisions. We typically enter into a memorandum of understanding with anchor tenants six months prior to the opening of our commercial complexes.

Rents are typically determined based on prevailing market rates, and the rents payable by our retail tenants sometimes include a turnover component. Rental payments for these leases consist of a monthly base rent and a turnover component calculated annually in accordance with the revenue of a particular tenant for that particular year. We typically require the annual turnover to be verified by an independent third party auditor. Our tenants are generally charged a monthly property management fee. Property management fees are determined according to market conditions and the requirements of the project under management. They are calculated on a per square meter basis and are paid monthly to our property management company. Tenants are also required to pay their own utility charges.

Under the lease agreements we enter into with our tenants, if our tenants terminate the lease without cause before the expiry of the lease term, we are entitled to retain their lease bond and they are liable to pay us a default penalty. Such default penalty is typically equivalent to two months' rent, but may vary depending on the term of the lease. In addition to the default penalty, we are entitled to rely on other contractual remedies available to us to recover all losses we suffered exceeding the default penalty under the lease agreements as a result of the early termination by the tenants.

We regularly monitor the performance of the tenants of our retail complexes. We carry out site inspections to inspect the day-to-day operations of our tenants. We also have service desks in our retail complexes to handle suggestions or complaints from our customers and we liaise with local government consumer associations to gain customer feed back on our tenants. In addition, we hold meetings from time to time with our tenants to discuss any issues they may have. We also monitor our tenants' rental payment track record to assess their business and financial performance. We may elect not to renew the leases of retail tenants whose performance is not meeting our expectation in order to improve our rental income.

As of June 30, 2018, none of our major tenants had defaulted on their rental payments, terminated their lease agreements with us prior to expiry or were in breach of the tenancy agreements in any material respects. To our best knowledge, we are not aware of any circumstances that may lead to a default in rental payment or early termination of tenancy agreements in relation to any of our major tenants.

HOTEL DEVELOPMENT

We believe the demand for high-quality hotels in Shanghai Municipality, Fujian Province, Chongqing Municipality, Shandong Province, Jiangsu Province, Zhejiang Province and Anhui Province will increase as their economies continue to grow.

As of December 31, 2018, we owned and/or operated 17 hotels:

- seven star-rated hotels (namely, Four Points by Sheraton Qingdao, Chengyang, Four Points by Sheraton Tai'an, Four Points by Sheraton Taicang, Le Meridien Shanghai Minhang, Radisson Exhibition Center Shanghai, Radisson Blu Shanghai Pudong Jinqiao and Wyndham Grand Plaza Royale Powerlong Fuyang);

- two mid-range hotels (namely, Aloft Haiyang and Aloft Yancheng); and

- eight own brand hotels (namely, ARTELS+ Collection Hechuan Chongqing, ARTELS Qingdao, ARTELS Anxi, ARTELS+ Huaian, ARTELS+ Collection Lingang Shanghai, ARTELS+ Wujing Shanghai, ARTELS+ Fuyang Hangzhou and JUNTELS Binjiang, Hangzhou).

Four Points by Sheraton Taicang (in Suzhou Taicang Powerlong Plaza), which commenced operations in June 2010, has 446 guest rooms. Four Points by Sheraton Tai'an (in Tai'an Powerlong Plaza, which opened in December 2010) and Four Points by Sheraton Qingdao, Chengyang (in Qingdao Chengyang Powerlong Plaza, which opened in February 2011), each has approximately 300 guest rooms. Le Meridien Shanghai Minhang, which opened in October 2016 has 241 guest rooms. Radisson Blu Shanghai Pudong Jingqiao which opened in January 2016 and Radisson Exhibition Center Shanghai which opened in May 2016 has 196 and 226 guest rooms, respectively. Wyngham Grand Plaza Royale Powerlong Fuyang opened in December 2018 has 178 guest rooms. Aloft Haiyang (in Shandong Haiyang Powerlong Plaza, which opened in June 2011) and Aloft Yancheng (in Yancheng Powerlong Plaza, which opened in December 2013) has 145 and 299 guest rooms, respectively. ARTELS Qingdao (in Qingdao Licang Powerlong Plaza, which opened in December 2011) and ARTELS Anxi which opened in September 2015 has 170 and 98 guest rooms, respectively. ARTELS+ Wujing Shanghai (in Wujing Powerlong Plaza, which opened in December 2017) and ARTELS+ Collection Lingang Shanghai (opened in June 2017) has 210 and 184 guest rooms, respectively. ARTELS+ Huaian (opened in June 2017) and ARTELS+ Collection Hechuan Chongqing (opened in May 2018) has 92 and 184 guest rooms, respectively. In Zhejiang Province, JUNTELS Binjiang Hangzhou (located in Binjiang Powerlong City) and ARTELS+ Fuyang Hangzhou opened in December 2017 and November 2017, respectively, and has 175 and 161 guests rooms, respectively.

Four Points by Sheraton Taicang (in Suzhou Taicang Powerlong Plaza), Four Points by Sheraton Qingdao (in Qingdao Chengyang Powerlong Plaza) and Four Points by Sheraton Tai'an (in Tai'an Powerlong Plaza) are equipped with ancillary facilities commonly associated with five-star hotels, such as swimming pools, ball rooms, club houses, restaurants, retail shops and other entertainment facilities.

We have entered into operating agreements with a member of the Sheraton international management hotel groups to operate five of our hotels. Each operating agreement has a 10 or 15-year term (or longer) commencing on the date of the opening of the respective hotel and ending on its tenth or fifteenth full operating year. The investment returns from hotel developments are generally realized at a later time than other types of property developments.

We believe that by entering into long-term agreements with international management groups and engaging it to operate our hotels, we will be able to benefit from its global reputation, hotel operation experience as well as its integrated marketing services, global reservation systems and employee training programs. Moreover, we are also able to leverage Sheraton's internationally recognized brand name to enhance our reputation and corporate image. We believe this will help us to achieve attractive returns on our investments. Pursuant to the hotel operating agreements that we have entered into, Sheraton will operate our hotels at a level of service and quality in conformity with other international hotels operating under the same brand name. Sheraton will receive a monthly fee in consideration of its management and operation services. This fee is calculated based on a fixed percentage of the revenue from the operations of each of our hotels for each month and a progressive percentage of the amount by which such revenue exceeds all ordinary and necessary expenses incurred in the operations of such hotels for each calendar year during the terms of the relevant operating agreement. After the payment of this fee and deduction of all necessary reserves, we are entitled to all the profits and losses of our hotels. As the owner of these properties, we will review and approve the operating plans of the hotels proposed by Sheraton. We will also participate in, and approve major decisions regarding, the financial and operational financial management of, the relevant hotels.

We are responsible for hiring all our hotel staff, but Sheraton has the right to nominate certain senior management and key executives for the hotels operated by them. We are entitled to veto up to three such candidates nominated by Sheraton. Under the hotel operating agreements, we jointly establish key performance indicators with Sheraton in order to assess Sheraton's performance. In addition, we have the right to veto the management plans of the hotels proposed by Sheraton within 30 days of receiving the initial proposal.

PROPERTIES USED BY US

We used office spaces owned by Xiamen Powerlong Information, with a total GFA of 3,093 square meters, at Powerlong Center, 305 Jiahe Road, Xiamen City as our headquarters for no consideration from August to December 2007 as we were in a transitional period pending the completion of our corporate reorganization. We entered into a lease agreement in January 2008 and have started paying rent to Xiamen Powerlong Information. From February 2010 to January 2016, we leased our headquarters properties in Changning District, Shanghai, from an independent third party. In February 2016, in keeping with our overall development strategy of relocating our headquarters from Xiamen to Shanghai, we relocated our headquarters to Qibao Powerlong Plaza in Shanghai. Qibao Powerlong Plaza is located at Powerlong Tower, 1399 Xinzhen Road, Minhang District, Shanghai 201101 and represents our core competitiveness in first tier cities.

As of December 31, 2018, these lease agreements had not been registered because the lessors had not applied to have the leases registered. Given that the lessors' application and assistance are necessary for the registration of leases under the applicable PRC laws and regulations, we are unable to unilaterally register such leases despite our request and efforts to have them registered on time. Our PRC legal counsel, Commerce & Finance Law Offices, has confirmed that the requirement for the leases to be registered is an administrative measure, the non-compliance of which may result in an administrative penalty but does not affect the validity of the leases. Accordingly, we believe that our continued use of the premises would not be affected by a delay to register the leases by the lessors and that if our rights as lessee are adversely affected by the lessors' failure to register the leases, we will seek recourse from the lessors under the lease agreements. The Hoi family as our controlling shareholders have also undertaken to indemnify us in the unlikely event that we suffer any loss as a result of the unregistered leases. We believe that if we are unable to renew these leases upon expiry, our business operations would not be adversely affected as we may find alternative venues for our staff dormitories.

BUSINESS MANAGEMENT

As a result of our recent business expansion, we have taken the following measures to maintain effective management of our business:

- as of December 31, 2018, we had 11,042 full-time employees in business operations. We plan to recruit additional employees if our business operation so requires;

- upgraded our Kingdee K3 Enterprise Resources Management System, with which we have formulated a five-year development plan, annual budget and quarterly budget on a rolling basis;

- outsourced certain services to external service providers to streamline our operations and reduce costs, such as outsourcing our project design and certain interior decoration work to external design firms and interior decoration companies;

- adopted a centralized accounting system and stringent budget control to closely monitor our capital and cash positions and to manage our financial resources more effectively;

- established our e-commerce platform;

- established an asset management system; and

- established Powerlong Business School.

EMPLOYEES

As of December 31, 2018, we had 11,042 full time employees. We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes nor have we experienced any difficulty with the recruitment and retention of experienced staff. Our directors believe that we maintain a good working relationship with our employees.

Share award scheme

We adopted a share award scheme (the "Scheme") pursuant to a board resolution passed on December 2, 2010. The purpose of the Scheme is to: (i) motivate and recognize the contributions of our employees and increase our employee retention rate, (ii) attract suitable personnel for further development of the Company and (iii) provide employees with a direct economic interest in attaining a long-term relationship with the Company. The Scheme entitled any of our employees who, in the opinion of the board of directors, will significantly contribute or have contributed to the Company to participate.

Pursuant to the rules of the Scheme, shares of HK$0.01 each in capital of the Company will be acquired by an independent trustee, HSBC Trustee (Hong Kong) Limited, at the cost of the Company and be held in trust for employees who hold the share awards as selected by the board of directors. The shares awarded pursuant to the Scheme will be held in trust until the end of each vesting period. Vested shares will be transferred to the selected employee at no cost. The number of shares to be awarded under the Scheme throughout the duration of the Scheme is limited to 2% of the issued share capital of the Company as of the adoption of the Scheme.

The Scheme will be subject to the administration of the board of directors or the executive committee acting on behalf of the board of directors, which, in accordance with the rules of the Scheme, consists of members of the remuneration committee, the chairman of the board of directors and an independent non-executive director of the Company.

On November 27, 2016, the Board resolved to amend the Scheme Rules for the purpose of extending the trust period of the Share Award Scheme. The Company entered into a deed of variation to the Trust Deed with HSBC Trustee (Hong Kong) Limited to extend the trust period from December 2, 2016 to December 31, 2017. Upon termination, all awarded shares and the related income derived from the shares will become vested in the selected employee. Awarded shares, related income which is not vested and/or forfeited in accordance with the rules of the Scheme and non-cash income remaining in the trust fund will be sold by the trustee. Net sale proceeds from such sale together with the residual cash and other funds remaining in the trust will be remitted to the Company after the sale. On June 6, 2013 and May 29, 2014, a committee established by the Board (the "Committee") resolved to grant awarded shares (the "Awarded Shares") to certain eligible employees pursuant to the rules under the Scheme. See "Management — Compensation of Directors — Directors' Interests in Securities." Given that there is no outstanding award for Shares granted under the Scheme and the Company did not expect to grant further Share awards under the Scheme prior to its expiry on December 31, 2017, the Board resolved to terminate the Scheme with effect from October 26, 2017.

COMPETITION

We compete with other real estate developers in a number of areas including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include major domestic integrated commercial property developers and, to a lesser extent, foreign developers. These competitors may have better track records, greater financial, human and other resources, larger sales networks and greater brand recognition.

However, we believe that we have particular competitive advantages in Fujian Province as it is our home base where we developed our earlier property projects and where we have in-depth market knowledge. In regions where we have no prior property development experience, we compete on the basis of our brand name and the strong relationships with our anchor tenants. We believe the barriers to entry into the property markets in Fujian, Jiangsu and Shandong Provinces are relatively higher than those in Henan and Anhui Provinces as the land acquisition costs, capital requirement and property development experience required in Fujian, Jiangsu and Shandong Provinces are generally higher. See "Risk Factors — Risks Relating to the Property Development Industry in China — Intensified competition may adversely affect our business and our financial position."

INTELLECTUAL PROPERTY RIGHTS

The Xiamen Powerlong Group has registered the trademarks of and with the PRC Trademark Office under various categories including property development, construction, property lease, real estate agency and hotels. We have entered into a trademarks license agreement with Xiamen Powerlong Group date September 4, 2009, pursuant to which Xiamen Powerlong Group has granted to us an irrevocable and exclusive right to use the trademarks and in our property development business and our other ancillary businesses. Our directors are of the view that we did not suffer any infringement of our intellectual property rights by any third parties as of the date of this offering circular and we confirm that we did not violate any intellectual property rights of third parties as of the date of this offering circular.

INSURANCE

In accordance with the typical contractual terms we enter into, construction companies are responsible for quality and safety controls during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we 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 laws, 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. In addition to requiring the construction workers to follow our standards and specifications, we also take other precautionary measures such as erecting temporary protection walls around the work site to prevent unauthorized access, ensuring stairwells and lift wells are secured, conducting regular safety checks on cranes and lifts and erecting warning signs near hazardous areas. Since we have taken a number of reasonable 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 that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. We may re-evaluate the risk profile of the property markets and adjust our insurance practice from time to time.

See "Risk Factors — Risks Relating to Our Business — We may suffer certain losses not covered by insurance."

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental and safety laws and regulations promulgated by both the central and local governments. The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Law of Prevention and Control of Environment Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to those laws and regulations, an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction, and each project developed by a property developer is required to undergo an environmental assessment. We have applied for the approval of environmental impact assessment or completion approval of environmental inspection for certain of our projects as of the date of this offering circular. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Although property development is generally regarded as low polluting, during the course of construction of a project, there may be an increased amount of dust around the site, increased noise pollution, and increased waste water and solid construction waste. In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking action to dispose of waste, to keep dust levels low and to control noise pollution.

Upon completion of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards. Inspection of each completed property project carried out by the relevant PRC government authorities to date has not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition. During the three years ended December 31, 2016, 2017 and 2018, we did not experience any material environmental pollution incident and there was no penalty imposed on us for violation of environmental laws and regulations. We believe we are in compliance with PRC safety regulations and that we did not have a record of any material non-compliance during the three years ended December 31, 2016, 2017 and 2018. See "Risk Factors — Risks Relating to the Property Development Industry in China — Failure to comply with our environmental and social responsibilities may adversely affect our operations and profitability."

We cannot predict the impact of unforeseeable environmental contingencies or new or changed laws or regulations on our existing projects or properties that we may develop in the future. We intend to prevent any potential future environmental risks by continuing to comply with relevant PRC environmental laws and regulations, engaging only reputable construction contractors with good environmental protection and safety track records and requiring the construction contractors to strictly comply with relevant law and regulations in materials procurement and property construction. We will also continue to educate our employees in relation to the importance of environmental protection and keep abreast of developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities.

LABOR, HEALTH AND SAFETY MATTERS

In respect of social responsibilities, in particular, labor, health and safety insurance, pursuant to the regulations of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) and its implementation regulations, the Labor Law of the People's Republic of China (中華人民共和國勞動法) and Opinions on Several Questions concerning the implementation of the Labor Law of the People's Republic of China (關於貫徹執行〈中華人民共和國勞動法〉若干問題的意見), an enterprise is required to execute an employment contract with each employee according to law and shall not rescind the employment contract without cause. Employees are entitled to have rest and annual leave according to the laws and provisions stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective equipment if necessary. Pursuant to the regulations of the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定), Decision of the State Council on Establishing a Uniform Basic Endowment Insurance System for Enterprise Employees (國務院關於建立統一的企業職工基本養老保險制度的決定), the Provisional Insurance Measures for Maternity of Enterprise Employees (企業職工生育保險試行辦法), Regulations on the Management of Housing Provident Fund (住房公積金管理條例), Regulations on Unemployment Insurance (失業保險條例), Regulations on Industrial Injury Insurance (工傷保險條例) and Social Insurance Law (社會保險法) which took effect on July 1, 2011, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, and personal injury insurance for its staff and pay the relevant insurance premiums according to law.

As of the date of this offering circular, there was no material violation of currently applicable PRC labor, health and safety regulations, nor were there any material employee safety issues involving us. We intend to fully comply with the new PRC labor contract laws and do not expect such compliance to affect our business operations in any material respect. We believe that by protecting the interests of our employees, we are able to enhance employee morale and long-term retention of quality personnel.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, personal injury insurance and housing provident fund. Our human resources department personnel look after our labor, health and safety issues. They generally have sound knowledge of administration and human resources issues. They work together with our legal department to better understand the latest legal developments in this area and to ensure that we are in compliance with the relevant requirements.

In relation to workplace safety around construction sites, we, as a property developer, have limited potential liabilities to the workers on our construction sites, most of which rest with the construction contractors. When entering into contracts with contractors, we require them to purchase accident insurance according to applicable laws and regulations to cover their workers and adopt effective occupational safety control measures, such as providing workers with necessary protective equipment and offering them regular medical examinations and workplace safety training.

LEGAL PROCEEDINGS AND MATERIAL CLAIMS

We are involved in legal or other disputes in the ordinary course of our business from time to time, primarily claims relating to our guarantees for mortgage loans provided to purchasers of our properties and contract disputes with purchasers and tenants of our properties. Furthermore, as a company listed on the Hong Kong Stock Exchange, we are subject to regulation by, among others, the Hong Kong Stock Exchange and the Securities and Futures Commission of Hong Kong. However, we are not implicated in any outstanding material legal proceedings or claims or regulatory investigations currently existing or pending against us and are not aware of any such threatened claims or investigations. We confirm that we have no material claims outstanding with regard to guarantees for mortgage loans provided to purchasers and contract disputes with purchasers and tenants of our properties. See "Risk Factors — Risks Relating to our Business — We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

RECENT DEVELOPMENTS

The following discussion should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business" and our consolidated financial statements, including the notes thereto, included elsewhere in this offering circular.

The following is a discussion of certain material events and trends relating to our operations that took place subsequent to December 31, 2018.

Acquisition of Land Use Rights to Land Parcels in the PRC

On April 24, 2019, our indirect subsidiary, Shanghai Pengduo Industrial Development Co., Ltd (上海鵬鐸實業發展有限公司), acquired the land use right to a land parcel in Taizhou City, Zhejiang Province, the PRC, for a consideration of approximately RMB1,790 million (US$260.3 million). The estimated total GFA of the land parcel is approximately 272,476 sq.m. We intend to develop about 70 of the land parcel into residential properties for sale and the other 30 of the land parcels into commercial properties for sale and investment.

On April 9, 2019, our indirect subsidiaries, Shaoxing Heqiao Juhang Real Estate Development Co., Ltd. (紹興柯橋聚杭房地產開發有限公司) acquired the land use rights to a land parcel in Shaoxing City, Zhejiang Province, the PRC, for a total consideration of approximately RMB759.9 million (US$110.5 million). The estimated total GFA of the land parcels is approximately 275,722 sq.m. We intend to develop both residential and commercial properties on the land parcel.

On April 26, 2019, our indirect subsidiary, Zhejiang Powerlong Xinghui Enterprise Management Co., Ltd. (浙江寶龍星匯企業管理有限公司), together with Hangzhou Metro Real Estate Development Co., Ltd (杭州市地鐵置業有限公司), a third party, jointly acquired the land use right to a land parcel in Hangzhou City, Zhejiang Province, the PRC, for a consideration of approximately RMB664 million (US$96.6 million). The estimated total GFA of the land parcel is approximately 125,961 sq.m. We intend to develop about 60 of the land parcel into residential properties for sale and the other 40 of the land parcels into commercial properties for investment.

Third 2021 Notes

On January 14, 2019, we issued US$200,000,000 aggregate principal amount of 9.125% senior notes due 2021. See "Description of Other Material Indebtedness — Third 2021 Notes".

2019 Facility

On July 8, 2019, we entered into a facility agreement, as amended and supplemented from time to time (the "2019 Facility") with, among others, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arranger, bookrunner and the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK$514.8 million (US$65.7 million) and US$40.0 million (with an accordion feature of up to US$200,000,000 equivalent). See "Description of Other Material Indebtedness — 2019 Facility."

Other Indebtedness

On January 21, 2019, Shanghai Powerlong issued 5.85% 270-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

On March 5, 2019, Shanghai Powerlong issued 7.20% two-year corporate bonds (medium-term commercial paper) with an aggregate principal amount of RMB1,000.0 million at 100% of the face value.

On April 1, 2019, Shanghai Powerlong completed the public offering of 7.20% corporate bonds specialized in rental housing (Tranche 1), with an aggregate principal amount of RMB300.0 million.

On April 24 and 25, 2019, Shanghai Powerlong issued 5.72% the second tranche of 5.72% 240-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annual administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Courts is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the same level and at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case my then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on June 27, 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Establishment of a Property Development Enterprise

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994 and effective on January 1, 1995 and as amended in August 2007 and in August 2009 respectively, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the "Regulations on Administration of Development and Operation of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011 and in March 2018, respectively, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1.0 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer.

In May 2009, the State Council issued a Notice on Adjusting the Ratio 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) pursuant to which the portion of capital fund is 20% for affordable housing projects and ordinary commodity 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 at 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development authority in the location of the registration authority, within 30 days of the receipt of its Business License. Where a foreign-invested enterprise is to be established to engage in the development and sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed and relevant examination and approvals be handled.

Foreign-invested real estate development 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. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an approval certificate for a foreign-invested enterprise.

In July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE promulgated the Opinions on Regulating the Access to and Administration of Foreign Investment in Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the "171 Opinion"). Under such circular, when a foreign investor establishes a property development enterprise in China where the total investment amount is US$10.0 million or more, such enterprise's registered capital must not be less than 50% of its total investment amount. Foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from purchasing any real property in the PRC.

On May 23, 2007 the MOFCOM and the SAFE jointly issued, and on October 28, 2015, the MOFCOM amended, the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Direct 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) or Circular 50 which stipulates the following requirements for the approval and supervision of foreign investment in real estate:

- foreign investment in the PRC real estate sector relating to high-grade properties should be strictly controlled;

- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should be 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 the real estate sector, and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;

- acquisitions of real estate entities and foreign investment in the real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;

- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;

- registration shall be immediately filed according to applicable laws with the MOFCOM regarding the setup of real estate 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 the MOFCOM; and

- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) the MOFCOM should carry out investigation and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On September 27, 2007, the PBOC and the CBRC jointly issued a Notice on Strengthening Commercial Real Estate Loan Administration (關於加強商業性房地產信貸管理的通知). This Notice reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities). In the case of a borrower that purchases his first residential unit with GFA of more than 90 square meters, he is required to make a down payment of not less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by the PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times the PBOC lending rate for the same period.

On December 5, 2007, the PBOC and the CBRC further jointly issued the Supplementary Notice of the People's Bank of China and China Banking Regulatory Commission on Strengthening the Administration of Commercial Real Estate Loans (關於加強商業性房地產信貸管理的補充通知). The notice provided that the number of loans to a borrower shall be determined on the basis of loans to the borrower's family (including the borrower, his/her spouse and his/her under-aged children), and for a family which has purchased the first house for its own dwelling purpose with a bank loan or which has purchased a house with a loan from the public accumulation fund for housing construction, if its per capital dwelling space is smaller than the local average level and it applies to a commercial bank for another housing loan, such application shall be handled by referring to the policies governing loans for purchasing the first house, while circumstances other than the aforesaid one shall be handled in accordance with policies and provisions governing loans for purchasing a second house.

In June 2008, to strengthen regulation of real estate enterprises with foreign investment, the 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.

Moreover, 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 provides that, among other things, where a real estate enterprise is established within the PRC with overseas capital, it is prohibited from purchasing and/or selling real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

On April 6, 2010, the State Council issued the "Several 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, projects with total investment (including capital increase) of less than US$300.0 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Guidance Catalogue may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the "Catalogue of Investment Projects Approved by the Government" (政府核准的投資項目目錄).

On June 10, 2010, the MOFCOM released the Notice 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 Notice, 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$300.0 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$50.0 million.

On June 24, 2014, MOFCOM and SAFE jointly issued the Notice on Improving the Registration of Foreign Investment in Real Estate (關於改進外商投資房地產備案工作的通知) effective from August 1, 2014 to simplify the procedures of registration of foreign investment in real estate.

On August 19, 2015, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房

地產市場外資准入和管理有關政策的通知). This Notice amended the registered capital requirement in the 171 Opinion and stipulates that when a foreign investor establishes a property development enterprise in China in which (i) the total investment amount is more than US$10.0 million and less than US$30.0 million, such enterprise's registered capital must not be less than 40% of its total investment amount; (ii) the total investment amount is less than US$12.5 million, such enterprise's registered capital must not be less than US$5.0 million; (iii) the total investment amount is US$30.0 million or more, such enterprise's registered capital must not be less than 33.3% of its total investment amount; and (iv) the total investment amount is less than US$36.0 million, such enterprise's registered capital must not less than US$12.0 million.

On November 6, 2015, MOFCOM and SAFE jointly issued the Notice on Further Improving the Registration of Foreign Investment in Real Estate (關於進一步改進外商投資房地產備案工作的通知) effective from November 6, 2015 to cancel the registration procedures of foreign investment in real estate.

On September 3, 2016, the Standing Committee of the NPC adopted a decision on amending the relevant laws in relation to foreign invested companies, which became effective on October 1, 2016. From the effectiveness of the decision, the establishment of the foreign invested enterprise (including foreign invested property development enterprise) and its subsequent changes are required to be filed with relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprises which are subject to special administrative measures regarding foreign investment entry. To implement the decision, MOFCOM published a draft administrative measure on its website for public comment on September 3, 2016.

On October 8, 2016, MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), which was further revised on July 30, 2017 and on June 29, 2018, respectively. 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 USD300 million or above as included in the Guidance Catalog requires the approval of NDRC, and any project with a total investment (including capital increase) for USD2 billion and above requires a filing to be submitted to the State Council, 2) any project of the restricted category with a total investment (including capital increase) for less than USD300 million as included in the Guidance Catalog requires the approval of 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 requires a filing to be presented to local development and reform commissions.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which will come into effect on January 1, 2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investor
- acquisition of shares, equities, property or any other similar rights and interests of an enterprise in China
- investment in a new project in China, independently or jointly with any other investor
- investment in any other way as may be stipulated by laws, administrative regulations or provisions of the State Council

The Foreign Investment Law establishes a nationwide "pre-establishment national treatment and negative list" management system. The system is intended to create an environment where all foreign investment will be treated the same as domestic investments, other than foreign investments into industries that are listed in the "Special Administrative Measures (Negative List) for Foreign Investment Access." According to the Foreign Investment Law, all foreign invested enterprises will be required to follow the corporate governance rules under the PRC Company Law once the Foreign Investment Law comes into effect. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

Qualifications of a Property Developer

According to the Catalogue of Industries for Guiding Foreign Investment (2017 Revision) (外商投資產業指導目錄(2017年修訂)) (the "Catalogue") which was jointly issued by the NDRC and the MOFCOM on June 28, 2017 and became effective on July 28, 2017, certain industries have fallen into the categories where foreign investment is encouraged, restricted or prohibited, and are subject to different administrative requirements and formalities.

On June 28, 2018, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (外商投資准入特別管理措施(負面清單)(2018年版)) (the "Negative List"), which became effective on July 28, 2018. The Negative List has replaced the special administrative measures as provided in the Catalogue, and has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment.

Under the "Provisions on Administration of Qualifications of Property Developers" (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000 and as amended in May 2015, a property developer shall apply for registration of its qualifications according to such the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective in one year as from its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 square meters and the specific scope of business shall be as confirmed by the construction authority under the government of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Development of a Property Project

Under the latest Guidance Catalog, the construction of golf courses and villas and the construction and operation of large theme parks fall within the category of industries in which foreign investment is prohibited. Other real estate development falls within the category of industries in which foreign investment is permitted.

Under the Interim Regulations of the People's Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) ("Interim Regulations on Grant and Transfer") promulgated by the State Council in May 1990, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and 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 PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Natural Resources on September 28, 2007, state-owned land use rights for the purposes of industrial use, commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction and listing-for-sale.

When carrying out the feasibility study for a construction project, a construction company shall make a preliminary application for construction on the relevant site to the land administration authority of the same level as the project approval authority, in accordance with the "Measures for Administration of Examination and Approval for Construction Sites" (建設用地審查報批管理辦法) promulgated by the Ministry of Natural Resources in March 1999 and amended in November 2010 and November 2016 respectively and the "Measures for Administration of Preliminary Examination of Construction Project Sites" (建設項目用地預審管理辦法) promulgated by the Ministry of Natural Resources in July 2001 and as amended in November 2004, November 2008, and November 2016, respectively. After receiving the preliminary application, the land administration authority shall carry out preliminary approval of various matters relating to the construction project in compliance with the overall zoning plans and land supply policy of the government, and shall the issue a preliminary approval report in respect of the project site. The land administration authority under the government of the relevant city or county shall sign a land grant contract with the land user and issue an approval for construction site to the construction company.

According to the Urban Real Estate Law, a land user who obtains land use right under the grant system must develop the land according to the purposes for which the land is acquired and must commence the development within the time frame agreed to under the land grant contract. If the land user fails to commence developing the land within one year of the construction commencement date stipulated in the land grant contract, then the local land administration authority may charge the land user an "idle land fee" of up to 20% of the land premium. If the land user fails to commence development of the relevant land after two years from the deadline set forth in land grant contract, the land user's land use right may be forfeited. However, the aforesaid penalties do not apply if the failure to commence development and construction is due to force majeure or caused by government actions.

On June 1, 2012, the Ministry of Natural Resources revised 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.

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 Natural Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy on land appreciation value 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 flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grant for residential development will consist of low rental housing, economy housing, limited pricing housing and units of less than 90 square meters 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 May 22, 2014, the Ministry of Natural Resources published the Regulation on Economical and Intensive Land Use (節約集約利用土地規定), which took effect on September 1, 2014. This regulations states, among other things, that (i) the state will control the total scale of construction land via overall plans for land use; (ii) the Ministry of Natural Resources, together with other relevant authorities, will issue land use controlling standards for engineering construction projects, industrial construction projects and real estate development projects (including land scale and plot ratio), which shall be strictly observed; (iii) the scope of allocated lands will be further limited. Except for land used for military purposes, indemnificatory housing, and land used for special purposes concerning national security and public order which may be allocated without compensation, all the land used for business purposes, land used for offices by the government organizations, infrastructure industry, such as energy, communications and water conservancy, and urban infrastructure shall be granted with compensation; and (iv) the owner of land use rights and the price for a plot of granted land shall be determined through tender, auction or putting up for bidding. The price for a plot of land granted with compensation shall not be less than the minimum price set by the state. It is prohibited to exempt or reduce the payment for a plot of land granted with compensation in such disguised forms as exchanging land for projects, refunding after collection or granting subsidiaries or rewards.

Under the "Measures for Control and Administration of Grant and Transfer of Right to Use Urban State-owned Land" (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992 and as amended in January 2011, the grantee to an land grant contract (i.e., a property developer) shall legally apply for a Permit for Construction Site Planning from the municipal planning authority with the land grant contract.

After obtaining a construction site planning permit, a property developer shall organize the necessary planning and design work in respect of the planning and design requirements. For the planning and design proposal in respect of a property development project, the relevant report and required by the "PRC City and Countryside Planning Law" (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the NPC in October 2007 and amended in April 2015 and local statutes on municipal planning must be followed and a construction works planning permit must be obtained from the municipal planning authority.

After a property developer has carried out the above work, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with construction needs and funds for the construction have been made available, the developer shall apply for a Permit for Commencement of Works from the construction authority under the local government above the county level according to the "Measures for Administration of Granting Permission for Commencement of Construction Works" (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999 and as amended in July 2001 which was superseded by a measure with the same title promulgated by the MOHURD on June 25, 2014 and as amended on September 28, 2018.

A property project developed by a property developer shall comply with the relevant laws and other statutes, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the "Regulations on the Administration of Quality of Construction Works" (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and amended in October 2017 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政

基礎設施工程竣工驗收規定) promulgated by the MOHURD in December 2013, and shall also report details of the acceptance examination according to the Administrative Measures for Filings Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. A property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is conducted or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

Land for Property Development

The provisions of the Regulations on the Development, Operation and Management of Property provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the Rules regarding the Grant of State-Owned Land Use way of Tender, Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Natural Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforesaid regulations, the assignor shall prepare the public trading and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, accept an open public trading to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation, and the assignor and the winning tender or winning bidder shall then enter into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Natural Resources issued and on December 3, 2010 amended the Notice of the Ministry of Natural 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) designed to strictly control land supply for high-end luxury property development.

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

On March 8, 2010, the Ministry of Natural Resources promulgated the Notice on Issues Concerning 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 the Notice, the minimum land premium shall not be less than 70% of the benchmark price of the locality of the parcel of land granted, and the bidding deposit shall not be less than 20% of the minimum land premium. The Notice makes 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 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 Natural 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 stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing and in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' 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 land and undeveloped land is prohibited.

In December 2010, the Ministry of Natural 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 Natural 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, such notice stipulates that changing the plot ratio without approval is strictly prohibited.

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.

On January 26, 2011, the General Office of the State Council circulated Notice on Further Regulating and Controlling the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provides stricter management of housing land supply, among other things, that participants or individual biding 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 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 Natural 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 Notice on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於發布實施〈限制用地項目目錄〉(2012年本)和〈禁止用地項目目錄〉(2012年本)的通知) promulgated jointly by the Ministry of Natural Resources and the NDRC 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, or (iii) and 20 hectares for large cities and plot ratio which is not 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 restrictive measures, expanding ordinary commodity housing units and increasing the supply of land. The overall housing land supply in 2013 is required not be lower than the average actual land supply in the past five years.

On September 12, 2014, the Ministry of Natural 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 reinforce the implementation of the rules regarding idle land and specifies the controlling requirements of land use standards in the relevant legal documents including land use approvals and land grant contracts.

On April 1, 2017, the MOHURD and the Ministry of Natural Resources jointly issued the Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (關於加強近期住房及用地供應管理和調控有關工作的通知) which provides, among others, that cities and counties that have more than one million inhabitants are required to make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing. Where such period is longer than 36 months, no more land is to be supplied. Land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months and more land shall be provided in the case of a period of longer than six months but shorter than 12 months. However, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities are required to adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers will be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

On May 19, 2018, the MOHURD issued the Notice on Further Regulating and Controlling 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 provided that local authorities shall targetedly enhance the effective supply of housing and land, increase the proportion of medium-and-low-priced and medium-and-small-sized ordinary commercial housing in the newly-built commercial housing, and improve the methods of supplying the land of commercial housing. Particularly, Hot Cities shall increase the proportion of residential land, and the proportion of residential land to urban construction land is suggested not to be lower than 25%. The supply of rental housing land and joint-property housing land shall be enhanced and the supply of public rental housing land shall be guaranteed. The proportion of public rental housing land, rental housing land and joint-property housing land in the new residential land is targeted to reach or exceed 50% in 3-5 years. In addition, Hot Cities shall promote the diversification of land supply entities. The state-owned land whose use right is obtained by non-real-estate enterprises legally may be used as rental housing land if its ownership remains unchanged and its use is in line with the overall land use planning and the urban and rural planning.

Sale of Commodity Properties

Under the "Measures for Administration of Sale of Commodity Properties" (商品房銷售管理辦法) promulgated by the Ministry of Construction in April 2001, sale of commodity properties can include both post-completion sales and pre-sales.

Any pre-sale of commodity properties shall be conducted in accordance with the "Measures for Administration of Pre-sale of Urban Commodity Properties" (城市商品房預售管理辦法) (the "Pre-sale Measures") promulgated by the Ministry of Construction in November 1994 and as amended in August 2001 and July 2004, respectively, and the Development Regulations. The Pre-sale Measures provide that pre-sale of commodity properties is subject to certain procedures. According to the Development Regulations and the Pre-sale Measures, a permit shall be obtained before a commodity property may be put up for pre-sale. A developer intending to sell a commodity property before its completion shall make the necessary pre-sale registration with the property development authority of the relevant city or county to obtain a pre-sale permit of commodity properties.

Under the Notice of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Good Handling 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) promulgated by General Office of the State Council in May 2005, the purchaser of a pre-sold commodity property is prohibited from transferring such pre-sold property before the completion of its construction. Property developers are required to register pre-sales and sales of properties electronically with the local authorities on a real name and real time basis.

On April 13, 2010, the MOHURD issued the Notice on Issues Concerning 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 are 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 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.

Real Estate 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:

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.

- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.

- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management platform for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county level.

- Any right holder or interested party may apply for inquiring about or copying the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose and no such information may be disclosed to the public or others without the consent of the right holder.

The "Implementing Rules of the Interim Regulations on Real Estate Registration" (不動產登記暫行條例實施細則), which took effect on 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.

Transfer of Real Estate

According to the Urban Real Estate Law and the "Provisions on Administration of Transfer of Urban Real Estate" (城市房地產轉讓管理規定) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a property owner may sell, bequeath or otherwise legally transfer the property to another person or legal entity. When a property is transferred, the ownership of the property and the land use rights attached to property are transferred. The parties to a transfer shall enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by government grant, the property may only be transferred on the condition that: (i) the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use right certificate has been obtained; (ii) development has been carried out according to the land grant contract; and in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed, or in case of a whole land lot development project, construction work has been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights were originally obtained by government grant, 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 grant contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original land grant contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land grant contract or a new land grant contract shall be signed in order to, inter alia, adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, transfer of the property shall be subject to the approval of the government vested with the necessary approval authority as required by the State Council. After such government 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.

Leases of Properties

On December 1, 2010, the MOHURD 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 register such housing tenancy with the competent construction (real estate) departments of the municipalities directly under the central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The competent construction (real estate) departments shall urge those who violate the above regulation to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit. The above measures came into effect as of February 1, 2011.

On May 17, 2016, the General Office of the State Council issued the "Opinions on Accelerating the Cultivation and Development of Leasing Market" (關於加快培育和發展住房租賃市場的若干意見) (the "Opinions"), which encourages real estate developers to engage in the house leasing business. The Opinions encourage real estate developers to rent out built residential properties, newly built residential properties and residential properties. The Opinions also provide guidance on the cooperation between real estate developers and residential property leasing enterprises to develop rental properties.

On July 18, 2017, the MOHURD, the 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, the 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" (北京市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.

Mortgages of Real Estate

Under the "Urban Real Estate Law" promulgated in July, 1994, as amended in August 2007 and in August 2009, respectively, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated in June 1995 and implemented in October 1995, the "Measures for Administration of Mortgages of Urban Real Estate" (城市房地產抵押管理辦法) promulgated in May 1997, as amended in August 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right of the land on which the property is situated. The mortgager and the mortgagee shall sign a mortgage contract. After a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate 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 property 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 property ownership certificate and then issue a certificate of third-party rights on the property to the mortgagee. If a mortgage is created on the commodity property put up for pre-sale or on works in progress, the registration authority shall record the details on the mortgage contract. If construction of a property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the property after issuance of the certificates evidencing the rights and ownership to the property.

Real Estate Financing

The PBOC issued the Notice 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) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 square meters or more, effective on June 1, 2006. See "— Measures on Stabilizing Housing Prices" below.

The State Council issued the Circular on Facilitating the Continuously Healthy Development of Property Market (關於促進房地產市場持續健康發展的通知) in August 2003, which contains a series of measures to control the property market. They include, but are not limited to, strengthening the construction and management of economical houses, increasing the supply of ordinary commodity properties and controlling the construction of high-end commodity properties. The PRC government also adopted a series of measures in respect of property development loans, which include placing greater effort on provision of loans, improving the guarantee mechanism of individual home loans and strengthening the monitor over property loans. It is expected that the circular should have a long-term positive effect on the development of the PRC property market by facilitating the healthy growth of the PRC property market.

Pursuant to the "Guidance on Risk Management of Property Loans Granted by Commercial Banks" (商業銀行房地產貸款風險管理指引) issued by the CBRC in August 2004, Any property developer applying for property development loans must have at least 35% of capital required for the development and a commercial bank should maintain a strict loan system for considering applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the General Office of the State Council forwarded the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見) jointly issued by the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Natural Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC. These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 square meters or more.

On September 27, 2007, the PBOC and the CBRC issued the Circular on Strengthening the Credit Administration for Commercial Real Estate (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.

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 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) promulgated by the PBOC on October 22, 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 ratio 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), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities Guofa (2010) No. 10 (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property that is larger than 90 square meters shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

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

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 for their third residential property and beyond or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In November 2010, the MOHURD, the Ministry of Finance, PBOC and the CBRC 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 provided that, among other things: (i) where a first-time house purchaser (including the borrower, 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 that uses housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate at least 1.1 times the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

In January 2011, the General Office of the State Council issued the Notice on Further Adjusting and Control of 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 provided that the minimum down payment was to be raised to 60% for second-house purchases with the minimum lending interest rate at least 1.1 times the benchmark rate.

On February 26, 2013, the General Office of the State Council announced the Notice on Further Improving 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). The notice provides that 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. Since August 2014, most of the local government have issued their respective measures to lift the housing purchase restrictions.

To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, the PBOC and the CBRC jointly issued the Notice of the PBOC and the CBRC on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知) in September 2014, which provides where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies.

In March 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice on Relevant Issues Concerning the Individual Housing Loan Policy (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. The notice also provides that (i) where a family applies for a housing reserve loan to buy the first residential property, the minimum down payment will be 20% of the property price; and (ii) where a family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions, the minimum down payment will be 30% of the property price.

In August, 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on Adjusting the Minimum Down Payment Ratio for the Purchase of Housing Units with Individual 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 lower the minimum down payment to 20% for the family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice of the PBOC and the CBRC on Issues concerning Further Improving the Differential Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知) to lower the minimum down payment required for homebuyers acquiring their 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.

On February 1, 2016, the PBOC and the CBRC jointly issued the Notice on Issues Concerning Adjusting the Individual Housing Loan 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 restrictions on the 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 which have not fully repaid their previous loan and are obtaining a 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 40%.

Property Management

According to the Guidance Catalogue, property management falls within the category of permitted foreign-invested industries. According to the Guidance Catalogue and the relevant requirements set out 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 owned foreign enterprise. Before the SAIC registers a foreign-invested enterprise as a foreign-invested 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 effective on September 1, 2003, amended on August 26, 2007, February 6, 2016 and March 19, 2018, respectively, the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than half of the owners who in the aggregate hold more than 50% of the total uncommunal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

Insurance

There is no mandatory provision in under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Hotel Development

A foreign-invested enterprise engaging 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 Catalogue and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises. A foreign-invested enterprise in the hotel business should apply for an approval with the relevant department of commerce, and obtain an approval certification for a foreign-invested enterprise before registering with the administration of industry and commerce.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on security and fire control

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (旅館業治安管理辦法) issued by the Ministry of Public Security and enforced on November 10, 1987 and as amended on January 8, 2011, a hotel can start operation only after obtaining an approval from the local public security bureau and being issued a business license. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions" (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or re-construction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on public health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for granting and managing 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.

Supervision on catering

According to the relevant regulations and rules in relation to catering services, hotels operating catering services should obtain food trading permits. Food Trading Permits (食品經營許可證) are granted by food and drug administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards for catering services.

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 facilities for profits should apply to the relevant local competent authorities of culture administration for entertainment commercial operation approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with 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.

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 and August 25, 2016, respectively, hotels that have been using or planning to use the city sewage system for water drainage should apply to the local city drainage administrative department for a city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipments under relevant PRC regulations. According to the "Regulations on Security Supervision of Special Equipment" (特種設備安全監察條例) enacted by the State Council on March 11, 2003 and effective on June 1, 2003 and as amended January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

Major Taxes Applicable to Property Developers

Income Tax

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the NPC on March 16, 2007 and enforced from January 1, 2008 onwards and as amended on February 24, 2017, a uniform income tax rate of 25% applies to 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 rule provide that a withholding tax rate of 10% is generally 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.

Value Added Tax

Pursuant to the "Notice of the on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner" (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 (real estate projects launched before April 30, 2016, as stated on their construction works commencement permit) by the common taxpayer shall be subject to a simple tax rate of 5%. Real estate developers selling real estate projects by advance payment will be subject to an appreciation tax of 3% when receiving such 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 developed by a real estate development company ("taxpayer"). These measures are also applicable to a development completed by a taxpayer after such project is taken over.

VAT is payable by taxpayers in the calendar month immediately following receipt of the presale proceeds of self-development real estate in accordance with the following formula:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) x 3%

The applicable rate is 11%. For taxpayers conducting old real estate projects and that have chosen 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 prior to April 30, 2016 (as stated in the construction works commencement permit), and (2) construction projects with construction permits that do not state the date of construction or construction projects with commencement dates of construction stated in the construction contracts prior to April 30, 2016 that have not received construction permits.

According to the Notice on Adjusting Value-added Tax Rates (關於調整增值稅稅率的通知) jointly issued by MOF and SAT in April 2018, starting from May 1, 2018, the value added tax rate was lowered from 17% to 16% for manufacturing and some other industries, and from 11% to 10% for transportation, construction, real estate leasing service, sale of real estate, basic telecommunication services, and farm produce. The aforesaid tax rate of 16% and 10% was further reduced to 13% and 9%, respectively, starting from April 1, 2019 according to a notice jointly issued by MoF, SAT and PRC General Administration of Customs.

LAT

According to the requirements of the "Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例) (the "Provisional Regulations") promulgated on December 13, 1993, effective on January 1, 1994 and amended on January 8, 2011, and the "Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax" (中華人民共和國土地增值稅暫行條例實施細則) (the "Detailed Implementation Rules") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use right;
- costs and expenses for land development;
- 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 the Ministry of Finance.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership 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 details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued, and on June 15, 2018, amended the Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns. On August 5, 2004, the State Administration of Taxation issued the Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax (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) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the Notice of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax (關於土地增值稅若干問題的通知). The Notice stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.

- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes."

- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

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 and as amended on June 15, 2018.

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 shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole incompleted 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 any 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 indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall 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 account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess 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, and such failure is not cured within the period required by the relevant tax authorities; or (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On January 23, 2008, the SAT, the MOF and Ministry of Land and Resources jointly issued the Notice on Further Strengthening Land Taxation Administration (關於進一步加強土地稅收管理工作的通知), which was amended on June 15, 2018, to intensify the land taxation administration and promote the intensive economical utilization of land.

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.

On May 19, 2010, the State Administration of Taxation has issued the Notice on Issues Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) which clarifies the revenue recognition in the settlement of land value-added tax and other relevant issues. According to the Notice, in the settlement of land value-added tax, if the sales invoices of commodity houses are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of land value-added tax, adjustments shall be made in the calculation of land value-added tax. The Notice provides that the deed tax paid by a real estate development enterprise for land use right shall be treated as the "relevant fees paid in accordance with the uniform regulations of the state" and be deducted from the "amount paid for land use right."

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

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) promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%–5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the aforesaid range, determine and report their effective tax rates to the Ministry of Finance 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 the MOF, the SAT and the MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

(1) for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and

(2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are not currently subject to the above deed tax preferential treatment policies.

Urban Land Use Tax

Pursuant to the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988 as amended in December 2006 and December 7, 2013, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007.

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) promulgated by the State Council in September 1986 and amended in January 2011, property tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental.

The State Council has approved, on a trial basis, the launch of a property tax scheme in selected cities. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing the 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 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.

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) promulgated by the State Council in August 1988 and amended in January 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5.0 per item.

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) promulgated by the State Council in 1985 and amended in January 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

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 incurred before December 1, 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005 and January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知).

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.

Measures on Stabilizing Housing Prices

The General Office of the State Council promulgated the Notice on Stabilizing Housing Prices (關於切實穩定住房價格的通知) in March 2005 requiring measures to be taken to keep housing prices from increasing too fast and to promote the healthy development of the property market. The Opinions on Work of Stabilizing Housing Price (關於做好穩定住房價格工作意見的通知) jointly issued by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Natural Resources, the PBOC, the State Administration of Taxation and the CBRC in April 2005 provides that:

- Where housing prices grow too fast at a time when the supply of medium-or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium-or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium-or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium-or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.

- Where the price of land for residential use and residential house grows too fast, 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 with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.

- Commencing from June 1, 2005, business tax upon the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.

- Low-to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 square meters, and the actual transfer price is lower than 1.2 times of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province (廣東省建設廳關於確定我省普通住房標準的通知) issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than

120 square meters or the internal gross floor area of a single unit is less than 144 square meters, and the actual transfer price is lower than 1.44 times of the average transfer price of houses located on the land of the same level.

- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

On May 24, 2006, the General Office of the State Council forwarded the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見) jointly issued by the Ministry of Construction the NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Natural Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC. Such opinions reiterated the existing measures and introduced new measures intended to further curtail the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include the following:

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

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

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 square meters or more, as effective from June 1, 2006;

- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

To carry out the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the Ministry of Construction promulgated the Opinions on Carrying Out Structure Proportion of Newly-Built Housing (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 square meters should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;

- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits;

certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and

- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Notice on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (關於規範房地產市場外資准入和管理的意見) which provided as follows:

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;

- the registered capital of a foreign-invested real estate enterprise with a total investment of US$10.0 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US$10.0 million, the current rules on registered capital shall apply;

- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and a business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid;

- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;

- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;

- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and the SAFE shall not approve the settlement of any foreign loans;

- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and

- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

On September 1, 2006, the SAFE and the Ministry of Construction jointly issued the Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market (關於規範房地產市場外匯管理有關問題的通知) which was amended on May 4, 2015. This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, the MOFCOM and the SAFE promulgated and on October 28, 2015 the MOFCOM amended the Notice on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (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) (Shang Zi Han No. 50, 2007). The Notice provides stricter controlling measures including, among others:

- Where the application in filed for establishment of the real estate company, the land use right, the ownership of the real property should be obtained first, or the pre-assignment/ purchase agreement has already been concluded with the land administration authority, land developer/owner of the real property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

- Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Oversea investors may not avoid approval for foreign investment in real estate by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested real estate enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprises is prohibited.

- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the MOC for filing requirement.

On September 28, 2007, the Ministry of Natural Resources issued Provisions on the Assignment of State-owned Construction Land Use Right through Bid Invitation, Auction and Quotation (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

Pursuant to the Notice 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), 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 ratio of residential properties was lowered to 20%. On October 22, 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions (關於調整房地產交易環節稅收政策的通知), pursuant to which, from November 1, 2008, the rate of deed tax has been reduced to 1% for a first time home buyer of an ordinary residence with a unit floor area less than 90 square meters, individuals who are to sell or purchase residential properties are temporarily exempted from stamp duty and individuals who are to sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property (關於調整房地產交易環節契稅個人所得稅優惠政策的通知) jointly promulgated by the Ministry of Finance, State Administration of Taxation and the MOHURD in September 2010, pursuant to which, where an individual purchases an ordinary house, which is the only house for their family (including the purchaser, the spouse and minor children), the deed tax is reduced by half; where an individual purchases an ordinary house with an GFA of 90 square meters or less, which is the only house for their family (including the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%.

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 opinions, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be 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; and (iii) 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 of residential units in 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 changing market conditions 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.

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

On February 11, 2010, CBRC issued a Notice on Relevant Issues on Strengthening Administration of Real Estate Trust Business of Trust Companies (關於加強信託公司房地產信託業務監管有關問題的通知), which provides that, among other things, real estate projects must meet the following conditions to be eligible for loan financing from trust companies: (1) real estate projects must have obtained the land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (2) developers or their controlling shareholders must be qualified as class 2 developers or higher; (3) the capital ratio of the project must satisfy the minimum requirements set by relevant authorities; and (4) trust companies may not provide trust funds to finance the land reserves.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知) which provides that: (i) if a first-time home buyer (including a borrower and his or her spouse and minor children) buys a residence with a unit floor area of more than 90 square meters for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate at least 1.1 times the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised.

The aforementioned Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The notice also provides for the suspension of the provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social security insurances certification for more than one year.

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

On September 29, 2010, the 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 stipulates that all commercial banks shall suspend issuing housing loans to home buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence that they have paid taxes or social security insurance contribution for more than one year. All commercial banks must also stop issuing loans or providing loan extensions to any real estate developer which has records of having idle land, changing the land use purpose and nature, delaying project commencement or completion time, hoarding land or other infractions.

On September 29, 2010, the State Administration of Taxation, the Ministry of Finance and MOHURD issued the Circular on Adjustments to Policies on Preferential Deed Tax and Individual Income Tax on Real Estate Deals (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that where an individual purchases an ordinary residential property, which is the sole residential property of their family, deed tax thereon shall be levied at a reduced half-rate. Where an individual purchases an ordinary residential property of 90 square meters or less, which is the sole house for his/her family to live in, the deed tax shall be reduced and levied at the rate of 1%. The tax authority shall inquire about the deed tax payment record of a taxpayer. In respect of individual purchases of ordinary residential property that fail to satisfy the above provisions, no preferential tax policies set out above may be enjoyed. No individual income tax shall be reduced or exempted for any taxpayer who sells his/her living house and re-purchases a house within one year.

In November 2010, the Ministry of Finance, the MOHURD, the CBRC and the PBOC jointly issued the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loans (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 when an individual housing reserve loan is used for a first residential property purchase, (i) if the floor area of the house is no more than 90 square meters, the down-payment shall be at least 20 percent of the purchase price and (ii) if the floor area of the house is more than 90 square meters, the down-payment shall be at least 30 percent of the purchase price. The notice also provides that, if a housing reserve loan is used to purchase a second home, such housing reserve loan is only available to families where the floor area of the first home is less than the local average. In addition, a housing reserve loan used to purchase a second house requires that the down-payment shall be at least 50 percent of the purchase price, and the interest rate of such loan shall be at least 1.1 times the interest rate of the individual housing reserve loan used for the first residential property purchase. Individual housing reserve loans are not permitted to be granted for the purchase of the third or additional houses.

In November 2010, the MOHURD and the 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, an overseas 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 General Office of the State Council issued the Notice on Further Adjusting and Control of 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 toughened credit controls on developers and raised the minimum mortgage down payments for buying a second home to 60% from 50%, with interest rates at least 1.1 times the benchmark lending rate published by the PBOC. Additional measures include the imposition of a tax on individuals who sell their property within five years after the purchase of such property. Local governments are also mandated to set target property prices in 2011 on factors such as local economic growth and home affordability. These measures are the latest in PRC central government's attempts to cool down the housing market, which has been heating up again since November 2010 (after a temporary lull due to tightening measures introduced in April and September of 2010).

On March 30, 2015, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase of such property 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 two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the individual owner's purchase of such property.

The State Council has approved on a trial basis the launch of a property tax scheme in selected cities. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing their pilot property tax schemes.

On February 26, 2013, the General Office of the State Council announced 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. In the last quarter of 2013, down payment ratios were raised to 70% for second-house purchases in several cities, such as Guangdong, Shanghai and Hangzhou.

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

On March 30, 2015, the PBOC, the CBRC and the MOHURD jointly issued the Notice on Relevant Issues Concerning the Individual Housing Loan Policy (關於個人住房貸款政策有關問題的通知), which provides that (i) where a family that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the minimum down payment will be 40% of the property price, 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; (ii) where a family applies for a housing reserve loan to buy the first residential property, the minimum down payment will be 20% of the property price; and (iii) where a family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions, the minimum down payment will be 30% of the property price.

On August 27, 2015, the MOHURD, the Ministry of Finance and the PBOC jointly issued the Notice on Adjusting the Minimum Down Payment Concerning the Housing Individual Housing Reserve Loan (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), which provides that where a family that owns a residential property and has paid off its existing mortgage loan applies for a second housing reserve loan to buy another residential property to improve living conditions, the minimum down payment will reduce from 30% to 20% of the property price. In Beijing, Shanghai, Guangzhou and Shenzhen, the minimum down payment of applying for housing reserve loan to buy a second residential property can be decided by local government in combination with local reality.

On February 13, 2017, the Asset Management Association of China issued the No.4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions (證券期貨經營機構私募資產管理計劃備案管理規範第4號), which stops the filing of private equity and asset management plans of securities and futures institutions that invest in the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc. It also prohibit private equity and asset management plans from funding real estate development enterprises to pay land premiums or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building to the relevant property administrative authorities.

Pursuant to the Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.

- A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the Ministry of Construction promulgated Notice on Reorganizing and Regulating the Transaction Procedures of Property (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.

- The property administration authority should establish an immediate network system for pre-sale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.

- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.

- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.

- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

Foreign Exchange

With effect from January 1, 1994, the PRC government abolished its two-tier exchange rate system and replaced it with a unified floating exchange rate system based largely on supply and demand. Financial institutions authorized to deal in foreign currency may enter into foreign exchange transactions at exchange rates within an authorized range above or below the exchange rate published by the PBOC according to market condition. However, despite such developments, RMB is still not a freely-convertible currency.

Pursuant to the Foreign Exchange Control Regulations of the PRC (中華人民共和國外匯管理條例) issued by the State Council which came into effect on April 1, 1996 and as amended on January 14, 1997 and August 5, 2008 respectively, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC (中國人民銀行關於印發(結匯、售匯及付匯管理規定)的通

知), which came into effect on July 1, 1996, foreign investment enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange from their foreign exchange bank accounts in the PRC.

If foreign investment enterprises require foreign exchange services for transactions relating to current account items, they may, without approval of the SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, on the strength of valid receipts and proof. If such enterprises need foreign exchange services for the distribution of dividends to their shareholders, they may, on the strength of a board of directors resolution authorizing the distribution of dividends and any other relevant documents, effect payment from their foreign exchange accounts and make such payments at the designated foreign exchange bank.

However, convertibility of foreign exchange in respect of capital account items, like direct investment and capital contributions, is still subject to restriction, and prior approval from the SAFE or its relevant branches must be sought.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

In October 2005, the SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective on November 1, 2005 ("Notice 75"). In July 2014, Notice 75 was abolished by the SAFE and was superseded by the Notice Regarding Certain Administrative Measures on Offshore Investing 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) which was issued by the SAFE and became effective on July 4, 2014 ("Notice 37"). Notice 37 requires the PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities legally owned by PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident.

On April 28, 2013, the SAFE issued, and on May 4, 2015, amended the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (國家外匯管理局關於發布〈外債登記管理辦法〉的通知), which became effective on May 13, 2013 and includes three appendices: (i) Administrative Measures on Foreign Debt Registration, (ii) Operating Guidelines for Foreign Debt Registration Administration, and (iii) List of Repealed Regulations. The measures stipulate the general provisions on foreign debt registration, administrative provisions on foreign debt account management, use and settlement of foreign debt funds, foreign guarantee for domestic loans, foreign exchange managements for outbound transfer of non-performing assets, as well as relevant punishment provisions. The Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引) provide specific operational rules in relation to foreign debts administration, which contain 15 items. Among these 15 items, foreign debt registration of foreign invested real estate enterprises is regulated as follows: (i) foreign invested real estate enterprises established before June 1, 2007, which have increased the registered capital on and after June 1, 2007, may raise foreign debt financing limited to the balance of scope of difference between the total investment and the registered capital. Provided that such scope of difference between the total investment and the registered capital after increasing capital is shorter than that of before increasing capital, the shorter one shall prevail, (ii) that the SAFE will no longer process foreign debt registration for foreign debt for foreign invested real estate enterprises that obtained approval certificates from and filed with MOFCOM on or after June 1, 2007, and (iii) foreign invested real estate enterprises of which the land use rights certificate has not been obtained, or the project capital is less than 35% of the total investment of the project, are prohibited from raising foreign debt financing from abroad, and the SAFE will not process foreign debt registration or approve the foreign exchange settlement for foreign debts for such enterprises.

On May 11, 2013, the SAFE issued the Notice on Printing and Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and the Supporting

Documents (國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知), which includes three appendices as follows: (i) the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China, (ii) the List of Repealed Regulations on Foreign Exchange Administration over Direct Investment in China, and (iii) the Business Operating Guidelines for Domestic Direct Investment.

The Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) effective on May 13, 2013, set out the general principles for foreign exchange control in direct investments by foreign investors, and specific provisions on the foreign exchange registration, foreign exchange account management, foreign exchange settlement and sales, as well as supervision and administration of banks engaging in the foreign exchange business related to direct investments by foreign investors. The provisions apply to foreign investors setting up foreign invested enterprises, foreign invested projects and foreign invested financial institutions in China through methods of new establishment, mergers or acquisitions, and obtaining the ownership right, control right and business management right of domestic enterprises.

On January 10, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Accounts (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通知), effective on February 10, 2014, which provides for, among others: (i) loosening of certain administrative procedures for the initial expenses outlay for overseas direct investments by domestic enterprises; (ii) loosening of certain restrictions on overseas lending by domestic enterprises; and (iii) simplifying the procedures for remitting profits offshore by domestic enterprises.

On February 13, 2015, the SAFE issued the Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies over Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective on June 1, 2015. The notice cancelled the approval for the registration of direct investment onshore and offshore, and simplified parts of the business procedures of direct investment.

On March 30, 2015, the 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本金結匯管理方式的通知) effective from June 1, 2015, which reforms the administration of foreign exchange capital settlement for foreign-invested enterprises in China. Pursuant to this notice, foreign-invested enterprises may make equity investments within China by utilizing RMB funds converted from their foreign exchange registered capital. In addition to the remittance of equity transfer payments in the original foreign currency, foreign-invested enterprises mainly engaged in investment business (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 investment scale and the premise that the domestic investment projects are authentic and in compliance. Equity investments within China involving the remittance of equity transfer payments in the original foreign currency by general foreign-invested enterprises, other than the above enterprises, are governed by the current domestic reinvestment laws and regulations. If such foreign-invested enterprises make equity investments in China through converted RMB funds, the investee enterprise shall first register the domestic reinvestment activity with the administration of foreign exchange (bank) in its place of incorporation and open a corresponding RMB account to deposit the converted RMB funds into, and the foreign-invested enterprises shall then transfer the converted RMB funds into the RMB account of the investee enterprise based on the investment scale. If the investee enterprise continues to make equity investments in China, the above principles shall apply. On June 9, 2016, the 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 the foreign exchange capital settlement nationwide.

On August 19, 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly issued the Notice on Adjusting the Admittance and Administration of Foreign Capital in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知). According to this Notice, the foreign invested real estate enterprises can directly conduct foreign exchange registration concerning foreign direct investment in bank according to foreign exchange regulations

According to Circular of the State Administration of Foreign Exchange on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) issued by the SAFE on January 26, 2017, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions.

Environment Protection in the Development of Real Estate

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to those laws and regulations, the developer shall, in the phase of construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

The Ministry of Environmental Protection issued the Rules on the Examination and Approval of Environmental Impact Assessment Documents of Construction Projects by Authorities at Various Levels (建設項目環境影響評價文件分級審批規定) on January 16, 2009, effective from March 1, 2009. According to the Rules, the power endowed to the authorities at various levels in charge of the examination and approval of environmental impact assessment documents of construction projects shall, in principle, be determined in accordance with the power to examine, approve, verify and file the construction project concerned as well as the nature and degree of the environmental impact brought by the construction project concerned. The Ministry of Environmental Protection may entrust the local environmental protection department at provincial level at the place of the project to exercise part of its statutory power of examination and approval, in which case, public announcement thereof shall be made.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this offering circular.

Name	Age	Title
Mr. HOI Kin Hong[(3)]	67	Chairman of the board
Mr. HOI Wa Fong[(2)]	41	Executive Director and Chief Executive Officer
Mr. XIAO Qing Ping	70	Executive Director and Deputy Chief Executive Officer
Ms. SHIH Sze Ni Cecilia	38	Executive Director
Mr. ZHANG Hong Feng	51	Executive Director
Ms. HOI Wa Fan	43	Non-Executive Director
Mr. NGAI Wai Fung[(1)]	57	Independent non-Executive Director
Mr. MEI Jian Ping[(1)(2)(3)]	59	Independent non-Executive Director
Mr. DING Zu Yu[(1)(2)(3)]	46	Independent non-Executive Director
Mr. LIAO Ming Shun	55	Vice president and Chief Financial Officer
Mr. HUA Li Chong	47	Deputy Chief Executive Officer
Mr. HONG Qun Feng	46	Vice president and general manager of Powerlong Land Development Limited
Ms. LV Cui Hua	43	Vice president and general manager of cost control centre
Mr. ZHANG Jun	42	Vice president and general manager of Zhejiang business division
Mr. Huang Yao Ming	45	Vice president and general manager of investment development centre
Mr. Shen Jian Zheng	50	Vice president and general manager of marketing management centre
Mr. Xia Guo Yue	57	General manager of hotel business
Ms. XIAO Ying Lin	45	Company secretary and Board secretary

Notes:

(1) member of the Audit Committee

(2) member of the Remuneration Committee

(3) member of the Nomination Committee

DIRECTORS

Our board of directors consists of nine directors, three of whom are independent non-executive directors. Hoi Wa Fong and Hoi Wa Fan are children of Hoi Kin Hong and Shih Sze Ni Cecilia is the spouse of Hoi Wa Fong. Our directors are elected at meetings of the shareholders of the Company for a term of three years, renewable upon re-election and re-appointment.

A description of the business experience and present employment of each of our directors is provided below.

Executive Directors

HOI Kin Hong, aged 67, is an executive Director and the Chairman of the Board. He is primarily responsible for the overall strategy and investment decisions of the Group. Mr. Hoi is a standing committee member of the Chinese People's Political Consultative Conference and of the plenary meeting of the Selection Committee of the Macau Special Administrative Region of the People's Republic of China. Mr. Hoi founded Powerlong Group Development Co., Ltd. (the "Xiamen Powerlong Group") in 1992 and has served as its Chairman. Since the establishment of Xiamen Powerlong Group, he has been engaged in the real estate development business, and has completed the development of several residential projects. He started to specialize in the development of commercial properties in 2003. Mr. Hoi has, for a number of times, been recognized as a Contributor to Real Estate Brands in China by the China Real Estate Top 10 Research Team since 2006. In addition, Mr. Hoi was also awarded various honours such as the Most Influential Entrepreneur in China, China Celebrities Achievement Award "10 Outstanding Masters", Top 30 People in motivating Chinese Economy over the 30 years of China's reformation, the Outstanding Leader in the Commercial Real Estate Industry in China, China Top 100

Real Estate Entrepreneurs, Contributor of China Top 100 Real Estate Entrepreneurs, Charity Special Contribution Award of China, Award for Excellence in the 20th Anniversary of China Guangcai Program Outstanding Contribution Award, Top 10 People for commerce and community in Fujian and "Tribute to 40th Anniversary of China Reform and Opening Up, Top 40 in 40 Years in the Real Estate Industry in China" (致敬中國改革開放40週年中國房地產40年40人時代人物). Mr. Hoi is the father of Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, an executive Director and a non-executive Director, respectively.

HOI Wa Fong, aged 41, is an executive Director and Chief Executive Officer of the Company. He is primarily responsible for the overall management of the business operations of the Group. Mr. Hoi Wa Fong is a member of All-China Federation of Returned Overseas Chinese, a member of All-China Youth Federation, a director of China Overseas Friendship Association, a member of Chinese People's Political Consultative Conference for the city of Shanghai, Vice Chairman of China Real Estate Chamber of Commerce, an executive chairman of Shanghai Nonlocal Enterprises Federation, vice-chairman of the Fujian Youth Federation and chairman of World Jinjiang Youth Association. He graduated from the School of Management of Xiamen University and received an EMBA from the Cheung Kong Graduate School of Business. He is currently pursuing a DBA at the Cheung Kong Graduate School of Business. He started to work as an intern in Xiamen Powerlong Group in 1999 and joined the Group upon graduation from Xiamen University in 2003. He held various positions including vice general manager, general manager, vice president, chief vice president and chief executive officer. He was awarded Annual Leaders in the Real Estate Industry in the PRC, Most Influential People in the Real Estate Industry in the PRC, Outstanding Individual Among Returned Overseas Chinese and Family Members, Top 10 Gold-Medal CEO of China Real Estate Listed Companies (中國房地產上市公司十大金牌CEO), Top 30 CEO in the Real Estate Industry in China (中國地產年度CEO 30強) and China Commercial Real Estate Industry Outstanding Contribution Award (中國商業地產行業傑出貢獻獎) and so forth. Mr. Hoi Wa Fong is the son of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

XIAO Qing Ping, aged 70, is an executive Director and the Deputy Chief Executive Officer of the Company. Mr. Xiao is primarily responsible for the human resources and administrative management of the Group, and the overall management for hotel business of the Group. He was an officer of Jinjiang Bureau of Land Administration from 1997 to 1999. He has over 30 years of experience in administration management. He joined Xiamen Powerlong Group in October 2001 as vice president and head of administration. In November 2007, he resigned from his position in Xiamen Powerlong Group and joined the Group as an executive Director. He graduated from China Textile Political Distance Learning College in 1988, majoring in economic management.

SHIH Sze Ni Cecilia, aged 38, is an executive Director. Ms. Shih is fully responsible for the overall commercial operation of the Group. Ms. Shih graduated from Central Queensland University in Australia with a master's degree in arts administration, and obtained an EMBA degree from the Cheung Kong Graduate School of Business in September 2014. She joined Xiamen Powerlong Hotel in January 2003 as a director. She then joined Xiamen Powerlong Group in 2005 as a director and general manager of the finance department. In November 2007, she held the positions of executive Director, general manager of supervision department and cost control centre. She has been fully directing the operation of the Commercial Group under the Group since April 2011. Ms. Shih Sze Ni Cecilia is the wife of Mr. Hoi Wa Fong, an executive Director.

ZHANG Hong Feng, aged 51, is an executive Director, an executive vice president and general manager of Business Division 2 of the Company. Mr. Zhang is fully responsible for the operation and management of Business Division 2 and its subsidiary real estate companies. Mr. Zhang was a department manager of Tianyu Real Estate Company (天宇房地產公司), an assistant to the general manager of Anbao Real Estate Development Company Limited (安寶房地產開發有限公司), deputy general manager of the real estate centre of Xiamen Powerlong Group, an executive director of Suzhou Powerlong Real Estate Development Company Limited (蘇州寶龍房地產發展有限公司), an executive director of Suqian Powerlong Property Development Company Limited (宿遷寶龍置業發展有限公司), a general manager of Suqian Powerlong Commercial Property Management Company Limited (宿遷寶龍商業物業管理有限公司), a general manager of Tianjin Powerlong City Company, a regional deputy general manager of the southern region, a general manager of project management centre, a vice president and a general manager of companies in other provinces and regions of the Company, a vice president of the Company and a general manager of operation management centre. He was responsible for the operation platform and the person-in-charge of operation management centre, cost control centre and technology development centre of the Company. He obtained a bachelor's degree in industrial electrical automation from Guangxi University in July 1989 and received an EMBA from Tongji University in December 2015. He joined the Company in December 2004 and was appointed as an executive Director on October 14, 2015.

Non-Executive Director

HOI Wa Fan, aged 43, is a non-executive Director. Ms. Hoi is the managing director of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司) and is responsible for the overall management and business development of Companhia de Construcao e Investmento Predialpou Long, Limitada (寶龍集團發展有限公司). Since 2000, she has been the managing director of Nicole Boutique, a fashion brand concept store in Macau. In December 2011, she established Ultra City Co., Ltd. and held the position of managing director. She was responsible for the overall management of business operation of Ultra City Co., Ltd. Ms. Hoi is the daughter of Mr. Hoi Kin Hong, an executive Director and the Chairman of the Board.

Independent Non-Executive Directors

NGAI Wai Fung, aged 57, is an independent non-executive Director, the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial, corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He was the President of Hong Kong Institute of Chartered Secretaries (2014-2015) and a member of the Working Group on Professional Services under the Economic Development Commission of the Hong Kong Special Administrative Region (2013–2018). He is a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of the General Committee of the Chamber of Hong Kong Listed Companies and Finance Expert Consultant of the Ministry of Finance of the PRC in 2016. Mr. Ngai is currently an independent non-executive director of BaWang International (Group) Holding Limited, Bosideng International Holdings Limited, Health and Happiness (H&H) International Holdings Limited (formerly known as Biostime International Holdings Limited), Beijing Capital Grand Limited (formerly known as Beijing Capital Juda Limited), SITC International Holdings Company Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation, TravelSky Technology Limited and China Communications Construction Company Limited, also the independent director of LDK Solar Co., Ltd. and SPI Energy Co. Ltd. Apart from LDK Solar Co., Ltd. and SPI Energy Co. Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Ngai holds a doctoral degree in finance at Shanghai University of Finance and Economics, a master's degree in corporate finance from Hong Kong Polytechnic University, a bachelor honor degree in laws from University of Wolverhampton in the United Kingdom and a master's degree in business administration from Andrews University of Michigan in the United States.

Mr. Ngai was an independent non-executive director of China Coal Energy Company Limited, China Railway Group Limited and HKBridge Financial Holdings Limited (formerly known as China HKBridge Holdings Limited).

MEI Jian Ping, aged 59, is an independent non-executive Director. Mr. Mei has been a professor of finance at Cheung Kong Graduate School of Business since 2006. He was an assistant professor from 1990 to 1995 at New York University, and an associate professor of finance at the same university from 1996 to 2005. From 2003 to 2008, he was a visiting professor at Tsinghua University. Mr. Mei has been a director of Cratings.com Inc. since 1999. He has published a number of books and articles on topics related to finance. Mr. Mei received a bachelor degree in mathematics from Fudan University in 1982, a master degree in economics and a doctorate in economics (finance) from Princeton University in 1988 and 1990, respectively. He was appointed as an independent non-executive Director of the Company in June 2008. He was also appointed as an independent non-executive director of MI Energy Holdings (HK stock code: 1555) and China Rundong Auto Group Limited (HK stock code: 1365) in 2010 and 2014 respectively. He was also appointed as an independent non-executive director of HSBC Jintrust Fund Management Company Limited in 2015. He was also appointed as independent director of Cultural Investment Holdings Co., Ltd. (SH stock code: 600715) in 2016.

DING Zu Yu, aged 46, is an independent non-executive Director. He is the executive director and chief executive officer of E-House (China) Enterprise Holdings Limited (HK Stock Code: 2048). Save for the above, he had also held various positions in China Real Estate Information Group Co., Ltd (中國房產信息集團) in the past including as a co-president and an executive director from September 2009 to April 2012. He was an independent director of Sanxiang Co., Ltd (三湘股份有限公司) (SZ stock code: 000863). He is also currently assuming important positions in other professional associations and bodies within the PRC real estate industry. He serves as a vice principal of the E-House Research and Training Institute (易居研究院). He is also an executive committee member of the China Real Estate Association (中國房地產協會), an adviser on the real estate market for the China's Ministry of Housing and Urban-Rural Development (國家住房和城鄉建設部房地產) and a member of standing committee of CPPCC of Jing'an District in Shanghai (上海市靜安區政協). He was named as "Shanghai Outstanding Young Merchant" (上海傑出青年企業家) in 2012 and was named one of the "Top Ten Shanghai Young Merchants" (上海十大傑出青年企業家) for 2011 to 2012. He received his bachelor's degree in real estate economics in 1998 and his Ph.D. in economics in 2013 from the East China Normal University.

Save as otherwise disclosed, there is no relationship (including financial/business/family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Senior Management

LIAO Ming Shun, aged 55, is the vice president and the Chief Financial Officer of the Company. Mr. Liao is responsible for the overall capital operation, financing, taxation and integrated financial control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the director, chief financial controller and general manager of the finance company of the Ministry of Agriculture of Fujian Province and Fujian Great World Enterprises Group Company Limited, the independent director of Fujian Dongbai Enterprise Group Company Limited (SH stock code: 600693), the vice secretary general of private branch of Fujian Accounting Institute, the secretary general of real estate branch of Fujian Taxpayers' Club. He obtained a bachelor's degree in Rural Finance from Fujian Agriculture and Forestry University, and was awarded a master's degree by the Graduate School of Chinese Academy of Social Sciences. He is also qualified as a Senior Accountant, Senior Economist, International Public Accountant (IPA), Certified Taxation Accountant (CTA), Financial Planner and the Judge Panel of the Committee of China's Corporate Financial Valuation Experts. He was awarded one of the "Top CFOs for 2012 by the Xinlicai Magazine of Ministry of Finance", "2013 China's Financial Value Leadership Award", "2014 Huazun Award – Top 10 most Respected Brand Builders who promoted the economic development of the industry", "2015 CFODC – China's Top 10 Capital Operators" and "2017 Asia 10 Brand Innovation Personality Award" awarded by the Asia Brand Ceremony Committee. He joined the Company in August 2009.

HUA Li Chong, aged 47, is the deputy chief executive officer of the Company. He is responsible for overseeing the operation management centre, the cost control centre and the technology research and development centre. Prior to joining the Company, he served management positions in various large-scale enterprises, where he was the assistant general manager of Shanghai Vanke, the general manager of Nanjing Vanke, a vice president of CFLD Real Estate Group (華夏幸福地產集團) and an executive vice president of China ZhongChong Property Group Co., Ltd. (中崇地產集團有限公司). He obtained a bachelor's degree in civil engineering from Southeast University and a master's degree in business administration from Fudan University. He joined the Company in November 2017.

HONG Qun Feng, aged 46, is the vice president of the Company and general manager of Powerlong Land Development Limited, and is responsible for overall operation and management of business of Powerlong Land. Mr. Hong was the property manager of Xiamen Jindu Property Management Co. Ltd. (廈門金都物業管理有限公司), assistant to the general manager of Xiamen Chengyi Property Development Co. (廈門誠毅房地產開發公司) and the founder and general manager of Xiamen Bairun Property Consulting Co. Ltd. (廈門百潤房地產顧問有限公司). He received an EMBA from Tongji University in 2015. He joined the Company in 2005.

LV Cui Hua, aged 43, is a vice president and the general manager of the cost control centre of the Company and leads operation management centre and technology management centre and is responsible for development and operation and cost control management. Ms. Lv was the person-in-charge of the cost control department of Youfu (Shanghai) Company Limited (友富(上海)有限公司) and person-in-charge of the contract department of CapitaLand China. Ms. Lv received an EMBA degree from Tongji University. She joined the Company in May 2010.

ZHANG Jun, aged 42, is a vice president and the general manager of Zhejiang business division of the Company and is responsible for overall business as well as operation and management of the division. He served as the chief executive officer of Boee Real Estate Group Co., Ltd. (保億置業集團有限公司) and an assistant to president of Shanghai Forte Land Company Limited (復地(集團)股份有限公司) and a general manager of its subsidiary in Hangzhou company. He obtained a master's degree in business administration from Zhejiang University. He joined the Company in June 2016 and was the vice general manager of Powerlong Land business division, responsible for project development and land acquisition.

HUANG Yao Ming, aged 45, is a vice president and the general manager of the investment development centre of the Company and is responsible for project expansion and acquisition of land reserve of the Company. He served senior positions of investment, expansion and management in various large-scale enterprises. Prior to joining the Company, he was the general manager of investment department in Huali Property Group (華立地產集團), the chief investment officer of Xianjin Group Korean Company Limited (韓國株式會社現進集團), and the vice president of Shanghai Mingbang Investment Company (上海銘邦投資公司). He obtained a bachelor's degree in Real Estate Operation and Management from Shanghai Tongji University, and was awarded a master's degree in Technical Economics and Management by Shanghai Tongji University. He is also qualified as an Intermediate Economist and China Certified Real Estate Appraiser. He joined the Company in March 2010.

SHEN Jian Zheng, aged 50, is a vice president and general manager of marketing management centre of the Company and is responsible for the overall marketing control of the Company. He served senior marketing management positions in various large-scale enterprises. Prior to joining the Company, he was the assistant to the general manager of Longyan Lvhengxing Construction (龍岩龍興建設), the sales director of Xiamen Haifa Property (廈門海發房地產) and marketing director of Yuehua New Property Group (悦華新房產集團). He obtained a bachelor's degree in Finance in Xiamen University, Fujian. He joined the Company in August 2007.

XIA Guo Yue, aged 57, is the general manager of the hotel business of the Company and is responsible for overall hotel construction and operation control of the Company. He served senior management positions in various large-scale enterprises. Prior to joining the Company, he was the general manager of Crown Plaza Hangzhou (杭州皇冠大酒店), the general manager of Longhill Hotel Hangzhou (杭州龍禧大酒店), and the executive president of China Yuanzhou Group Hotel Management Company (中國遠洲集團酒店管理公司). He obtained bachelor's degree in Tourism in Zhejiang University, and Certified Hotel Administrator (CHA) from the American Hotel & Lodging Association (AHLA). He is the lecturer of tourism and management in Zhejiang University School of Management, the executive vice chairman of Hospitality Asset Managers Association China (HAMA), the expert member of Hospitality Culture Professional Committee of China Hospitality Association, and the vice president of the Planning, Design and Decoration Committee of China Hospitality Association. He was awarded the Top 10 Hoteliers of the Year by the 13th China Hotel Starlight Awards, and the Honor Badge of China's Hospitality – Honor of Contributor to China's Hotel Development by China National Tourism Administration. He joined the Company in April 2007.

XIAO Ying Lin, aged 45, is a company secretary of the Company and secretary of the Board. Ms. Xiao is responsible for the listing and compliance management of the Company. She is a fellow member of The Institute of Chartered Secretaries and Administrators of the United Kingdom and The Hong Kong Institute of Chartered Secretaries as well as a member of The Chinese Institute of Certified Public Accountants. Ms. Xiao also acted as a company secretary and secretary of the board of Lianhua Supermarket Holdings Co., Ltd. (HK stock code: 0980). She has 18 years of extensive experience in the company secretarial, capital operation, compliance, information disclosure and investor relations fields. She holds a master degree in Finance from the Shanghai Academy of Social Sciences in 2000. She acted as a company secretary of the Company from October 2012 to October 2015 and rejoined the Company in October 2016.

Save as otherwise disclosed, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board, and no information relating to the Directors which is required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

COMPENSATION OF DIRECTORS

During the three years ended December 31, 2016, 2017 and 2018, the aggregate amount of salaries, retirement scheme contributions, fee and employees share option scheme paid by us to or on behalf of all of our directors was RMB5.1 million, RMB5.9 million and RMB6.1 million, respectively.

Directors' Interests in Securities

As of the date of this offering circular, the interests of our directors and their associates in equity securities of the Company were as follows:

Name of Director	Capacity	Number of shares of the Company[1]	Approximate percentage of shareholding/ Underlying shares over the Company's issued shares
Hoi Kin Hong	Interest of a controlled corporation	1,805,637,000	45.17
	Beneficial owner	28,465,000	0.71
	Interest of spouse	2,800,000	0.07
Hoi Wa Fong.	Interest of a controlled discretionary trust	590,468,000	14.77
	Beneficial owner	8,988,000	0.23
	Interest of spouse	503,400	0.01
Hoi Wa Fan.	Interest of a controlled corporations	203,106,000	5.08
	Beneficial owner	61,470,000	1.54
Xiao Qing Ping	Beneficial owner	811,700	0.02
Shih Sze Ni Cecilia . .	Beneficial owner	503,400	0.01
	Interest of spouse	599,456,000	15.00
Zhang Hong Feng . . .	Beneficial owner	184,300	0.01

Notes:

(1) All interests in these shares are long positions.

AUDIT COMMITTEE

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our board. The audit committee consists of three members who are our independent non-executive directors. The chairman of the audit committee is Ngai Wai Fung.

REMUNERATION COMMITTEE

We have established a remuneration committee which consists of Hoi Wa Fong, Mei Jian Ping and Ding Zu Yu. Mei Jian Ping has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our board the remuneration and other benefits paid by us to our directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

NOMINATION COMMITTEE

We have established a nomination committee which consists of Hoi Kin Hong, Mei Jian Ping and Ding Zu Yu. Hoi Kin Hong has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our board suitably qualified persons to become our board members and is responsible for reviewing the structure, size and composition of our board on a regular basis.

The following table sets forth certain information regarding ownership of our outstanding shares as of the date of this offering circular by those persons who beneficially owned more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO").

Name of Shareholder	Capacity	Number of shares[(1)] and share options of the Company	Approximate shareholding percentage
Mr. Hoi Kin Hong	Interest of a controlled corporation and beneficial owner	1,834,102,000[(2)]	45.88
	Interest of spouse	2,800,000	0.07
Mr. Hoi Wa Fong	Interest of a controlled discretionary trust and beneficial owner	599,456,000[(3)]	15.00
	Interest of spouse	503,400[(4)]	0.01
Ms. Hoi Wa Fan	Interest of controlled corporation and beneficial owner	264,576,000[(5)]	6.62
Wason Holdings Limited . . .	Beneficial owner	202,000,000[(6)]	5.05

Notes:

(1) All interest in these shares are long position.

(2) Of the 1,834,102,000 shares and underlying shares held, 1,805,637,000 shares were held by Skylong Holdings Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Hoi Kin Hong, 27,479,000 shares were beneficially held by Mr. Hoi Kin Hong and 986,000 shares awarded to Mr. Hoi Kin Hong on May 29, 2014 and June 6, 2013 under the share award scheme (the "Scheme"). See "Business — Employees — Share award scheme."

(3) Of the 599,465,000 shares and underlying shares held, 578,400,000 shares were held by Sky Infinity Holdings Limited, a company incorporated in the British Virgin Islands and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of The Sky Infinity Trust. Mr. Hoi Wa Fong is the settlor of The Sky Infinity Trust. 8,202,000 Shares were beneficially held by Mr. Hoi Wa Fong and 786,000 shares awarded to Mr. Hoi Wa Fong on May 29, 2014 and June 6, 2013 under the Scheme.

(4) These shares represent 503,400 shares awarded to Ms. Shih Sze Ni Cecilia on May 29, 2014 and June 6, 2013 under the Scheme.

(5) Of the 264,576,000 shares and underlying shares held, 203,106,000 shares were held by Walong Holdings Limited and Mantory (HK) Trading Co., Limited, companies incorporated in the British Virgin Islands and Hong Kong respectively and both beneficially owned by Ms. Hon Wa Fan, 61,470,000 shares were beneficially held by Ms. Hoi Wa Fan.

(6) Wason Holdings Limited is beneficially owned as to 70% by Ms. Che Iok Teng, as to 10% by each of Ms. Hoi Wa Lam (許華琳), Ms. Hoi Wa Lam (許華嵐) and Ms. Hoi Wa Weng.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Controlled by the ultimate controlling shareholder			
Sales of Properties:	90,046	–	14,941
Rental income	3,138	2,349	3,249
Property management fee income	776	771	725
Purchase of office equipment and security intelligentisation system services from related parties	55,576	43,946	31,531
Hotel accommodation service fee charged by a related party	160	1,218	2,294
	149,696	48,284	52,740
Joint Ventures			
Sales of construction materials to a related party	86,820	68,242	136,357
Consultation services provided to a related party	26,584	34,058	7,983
Guarantees for borrowings to joint ventures	1,895,000	1,519,000	822,500
	2,008,404	1,621,300	966,840

Note:

The transactions were charged in accordance with the terms of the underlying agreements. In the opinion of the directors, the fees were determined with reference to the market price at the prescribed year.

CONNECTED TRANSACTIONS

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by the company's independent shareholders. Each of our connected transactions disclosed hereunder that constitutes a connected transaction or continuing connected transaction within the meaning of the Listing Rules requiring independent shareholders' approval has been so approved, or has complied with the relevant requirements under or is otherwise exempted from compliance with Chapter 14A of the Listing Rules, as applicable.

Purchase of Property and Equipment

In 2012, we renewed our office equipment purchase agreement ("Equipment Purchase Agreement") with Xiamen Powerlong Information Industry Co., Ltd. ("Xiamen Powerlong"), a company controlled by our chairman and principally engaged in the business of distribution of office equipment, software development and the manufacture and sale of consumables, pursuant to which Xiamen Powerlong has agreed to supply office equipment such as printers, photocopiers, computers and fax machines to us for a term of three years ending December 31, 2014. On December 24, 2014, both parties entered into a renewal agreement to renew the 2012 agreement for a fixed term of three years commencing on January 1, 2015 to December 31, 2017. On December 18, 2017, the Company entered into a renewal agreement with Xiamen Powerlong (the "2018 Equipment Purchase Renewal Agreement" to renew the 2015 Equipment Purchase Agreement for a fixed term of three years commencing from January 1, 2018 to December 31, 2020. As all applicable percentage ratios for the maximum annual caps under the 2018 Equipment Purchase Renewal Agreement are less than 0.1%, the transaction as contemplated under the 2018 Equipment Purchase Renewal Agreement is exempt from the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For each of the three years ended December 31, 2016, 2017 and 2018, office equipment we purchased from Xiamen Powerlong amounted to approximately RMB2.7 million, RMB0.07 million and nil, respectively.

Security Service Agreement

In 2015, the Company and Fujian Pingan Baojing Network Co., Ltd. ("Pingan Baojing") renewed the security service agreement for a term of three years commencing from January 1, 2016 to December 31, 2018 (the "Security Service Agreement") pursuant to which Pingan Baojing provides certain security intelligence system services to us. The Company and Pingan Baojing entered into the 2019 Security Service Agreement on December 27, 2018 to renew the framework for the provision of such services for a term of three years commencing from January 1, 2019 to December 31, 2021 (both days inclusive). The basis of determining the service fees under the Security Service Renewal Agreement were determined based on the prevailing rates of Pingan Baojing for similar services to third party customers. For each of the three years ended December 31, 2016, 2017 and 2018, the service fees paid under the Security Service Agreement amounted to RMB52.9 million, RMB43.3 million and RMB31.5 million.

Sale of Properties to a Related Person

On September 1, 2016, Ms. Wong Lai Chan or Mrs. Hoi, the spouse of Mr. Hoi Kin Hong, the chairman, executive Director and substantial shareholder of the Company, entered into certain sale and purchase agreements with various wholly-owned subsidiaries of the Company, pursuant to which the relevant members of our Group agreed to sell and Mrs. Hoi agreed to purchase various properties at an aggregate consideration of RMB101.7 million. Pursuant to the first sale and purchase agreement, Mrs. Hoi agreed to purchase two villas located at Xiamen Powerlong Lakeside Mansions, Xiamen, the PRC with an aggregate gross floor area of 554.0 square metres and 11 car park spaces ancillary to such villas. Pursuant to the second sale and purchase agreement, Mrs. Hoi agreed to purchase, and Xiamen Powerlong Industry agreed to sell, certain apartments located at Xiamen Powerlong One Mall, Xiamen, the PRC, with a total gross floor area of 2,853.9 square metres. Pursuant to the third sale and purchase agreement, Mrs. Hoi agreed to purchase an apartment located at Shanghai Qingpu Powerlong Plaza, Shanghai, the PRC, with a gross floor area of 158.11 square metres. Pursuant to the fourth sale and purchase agreement, Mrs. Hoi agreed to purchase a villa located at Hongqiao Powerlong City, Shanghai, the PRC, with a gross floor area of 185.05 square metres. The transactions contemplated in the sale and purchase agreements set out above had completed as of June 30, 2018 and are exempted from independent shareholders' approval pursuant to the Listing Rules.

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2018, our total external borrowings amounted to RMB49,102 million. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Project Loan and Working Capital Loan Agreements

Certain of our PRC subsidiaries have entered into project and working capital loan agreements with various PRC banks, including primarily The Bank of China, The Agricultural Bank of China, China Construction Bank, Industrial and Commercial Bank of China, China Everbright Bank, Industrial Bank, China Merchants Bank, the Bank of East of Asia, Bank of Communications, and Bank of Beijing. Most of these loans are project loans to finance the construction of our projects and typically have tenors ranging from 6 to 120 months, which generally corresponds to the construction periods of the particular projects. The working capital loans are used to finance the operations of completed investment properties, including cash flow and goods procurement, and generally have longer tenors ranging up to 10 years. Our project loans from PRC banks and working capital loans are usually secured by land use rights and properties and, in some cases, are guaranteed by certain of our other PRC subsidiaries or our controlling shareholder. Certain of our PRC project loans require us to prepay the loan if a certain percentage of GFA of the relevant project has been delivered.

As of December 31, 2018, the aggregate amount outstanding under these loans was RMB5,117.3 million of which was due within one year and RMB15,551.2 million of which was due over one year.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. The working capital loans generally amortize on a straight line basis over their tenors. As of December 31, 2018, the weighted average interest rate on the aggregate outstanding amount of our project loans was 6.1% per annum.

Covenants

Certain of our PRC subsidiary borrowers have agreed under these loans, among other things, not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property 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 or apply for other loans that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect; and
- dispose (including sell, grant, mortgage) material assets, most or all of the assets.

Dividend restriction certain banks

Pursuant to the project loans with certain banks, some 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 or the following financial year; or

- before the principal amount of and accrued interest on the relevant project loan have been fully paid.

Events of Default

These loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of December 31, 2018, RMB20,668 million of the loans were secured by land use rights and/or properties of the subsidiary borrowers and/or our other PRC subsidiaries.

Shanghai Kangrui Syndicated Loan ("Shanghai Kangrui Syndicated Loan")

On September 23, 2015, Shanghai Kangrui Real Estate Development Co., Ltd, one of our PRC subsidiaries, as borrower, entered into a Renminbi syndicated loan agreement with, inter alia, Industrial and Commercial Bank of China, Bank of Communications and The Agricultural Bank of China, as lenders, pursuant which the borrower obtained a loan in the amount of RMB1,100,000,000 from the lenders ("Shanghai Kangrui Syndicated Loan"). The purpose of the Shanghai Kangrui Syndicated Loan is for financing the construction of an integrated commercial complex at Qingpu District at Shanghai, the PRC. The Shanghai Kangrui Syndicated Loan is guaranteed by Shanghai Powerlong Industrial Development Co., Ltd. and Mr. Hoi Kin Hong, and is secured by land use rights relating to the parcel of land on which the commercial complex is built. As of December 31, 2018, the aggregate amount outstanding under the loan was RMB60.3 million.

Interest

The principal amounts outstanding under the Shanghai Kangrui Syndicated Loan generally bears interest at floating rates calculated by reference to the benchmark lending interest rate per annum released by the PBOC for the relevant period. The interest rate is subject to review annually and may be changed in the event of market disorder, for example, changes in the policies of the People's Bank of China. Interest payments are payable quarterly and must be made on each repayment date. As at December 31, 2018, the weighted average interest rate on the aggregate outstanding amount of the loan was 5.18% per annum.

Covenants

The borrower has agreed, among other things, to not take the following actions without the lenders' prior written consent:

- create encumbrances or allow any third party to create any encumbrance (including but not limited to mortgage, charge and pledge) on any part of the assets or income of the borrower;

- grant any guarantee or loan to any third parties or apply for other loans unless, for example, the loan is a shareholder's loan or a loan from an affiliate in the group of companies of the borrower;

- make any material change to the corporate structure of the borrower, planning of the construction project, subsequent development plan and operations of the commercial complex;

- alter the borrower's memorandum and articles of association, land assignment agreement or agreements specifying rights relating to the project;

- declare or pay dividend or undertake any other form of distribution to any shareholder of the borrower; and

- sell, transfer or dispose of any assets of the borrower and its subsidiaries (if any).

Undertakings

The borrower has committed to various financial reporting, insurance, environmental, information, financial and project re-financing undertakings. In particular, the borrower undertakes that, at the time of the first drawdown and at each and every subsequent drawdown, the land and ongoing construction collateral percentage shall not exceed 60% and the moving collateral percentage shall not exceed 65%. If the moving collateral percentage exceeds 65%, the lenders' agent (upon instructions of the lenders) shall have the right to demand the borrower to increase collateral within 30 days and/or repay part of the sum borrowed such that the collateral percentage meets the said requirements.

In addition, if the actual expenditure on the construction project exceeds the budgeted expenditure, the borrower shall fund the excessive expenses by its own means. The borrower has also undertaken to establish a comprehensive environmental and social risk internal management, risk control and monitoring mechanism. The borrower shall inform the lenders within seven days of environmental and social events, such as, material environmental or social claims, and cases of pollutants emission.

Events of default

The Shanghai Kangrui Syndicated Loan agreement contains certain events of default, including, among others, failure to repay the specified repayment sum by the repayment date, material inaccuracies, misleading or invalid representations, covenants and undertakings specified in the loan agreement, insolvency of the borrower and borrower's involvement in litigation which would cause a loss to the lender or materially affect the borrower's ability to fulfill its obligations under the loan agreement. The lenders are entitled to demand immediate repayment of the principal sum and any accrued interest upon occurrence of an event of default.

Guarantee and Security

Shanghai Powerlong Industrial Development Co., Ltd. and Mr. Hoi Kin Hong have entered into separate guarantee agreements with the lenders in relation to the Shanghai Kangrui Syndicated Loan. In addition, as of December 31, 2018, RMB60.3 million of the Shanghai Kangrui Syndicated Loan was secured by the borrower's land use rights relating to the parcel of land on which the commercial complex is built.

Ningbo Yuanda Syndicated Loan

On April 26, 2018, Ningbo Yuanda Industrial Investment Co., Ltd, one of our PRC subsidiaries, as borrower, entered into a Renminbi syndicated loan agreement with Bank of East Asia (China) Limited and China Everbright Bank, as lenders, pursuant which the borrower obtained a loan in the amount of RMB700,000,000 from the lenders (the "Ningbo Yuanda Syndicated Loan"). The purpose of the Ningbo Yuanda Syndicated Loan is for financing the construction of property projects in Ningbo, the PRC. As of December 31, 2018, the aggregate amount outstanding under the loan was RMB689.5 million.

Interest

The principal amounts outstanding under the Ningbo Yuanda Syndicated Loan bear interest at floating rates calculated by the benchmark lending interest as published by the PBOC per annum plus a margin of 25.0%. Interest payments are payable quarterly.

Covenants

The borrower has agreed, among other things, not to take the following actions without the lenders' prior written consent:

- create encumbrances or allow any third party to create any encumbrance (including but not limited to mortgage, charge and pledge) on any part of the land use rights of the borrower which was mortgaged to secure the loan;
- grant any guarantee or loan to any third parties or apply for other loans;
- make any change to the corporate structure or shareholding structure of the borrower or pledge the shares of the borrower;
- declare or pay dividend or undertake any other form of distribution to any shareholder of the borrower; and
- sell, transfer or dispose of any material assets of the borrower.

Undertakings

The borrower has committed to various financial reporting, insurance, environmental, information, financial and project re-financing undertakings. In addition, if the actual expenditure on the construction project exceeds the budgeted expenditure, the borrower shall fund the excessive expenses by its own means.

Events of default

The agreement contains certain events of default, including, among others, failure to repay the specified repayment sum by the repayment date, failure to complete property development in the prescribed time period, misrepresentations, failure to meet the covenants and undertakings specified in the agreement, failure to repay any other loan or debit of the borrower on the due date, alteration to the equity structure of the borrower, insolvency of the borrower and borrower's involvement in litigation which would cause a loss to the lender or materially affect the borrower's ability to fulfill its obligations under the loan agreement.

The lenders are entitled to demand immediate repayment of the principal sum and any accrued interest upon occurrence of an event of default.

Guarantee and Security

The Ningbo Yuanda Syndicated Loan is guaranteed by the Company and is secured by land use rights relating to the parcel of land on which the property projects are built and account receivables.

Wuxi Jiayu Syndicated Loan

On June 27, 2018, Wuxi Jiayu Real Estate Co., Ltd., one of our PRC subsidiaries, as the borrower, entered into a Renminbi syndicated loan agreement with China Construction Bank, Wuxi Chengbei Branch and Agricultural Bank of China, Wuxi Liangxi Branch, as the lenders, pursuant which the borrower obtained a loan in the amount of RMB1,000.0 million from the lenders (the "Wuxi Jiayu Syndicated Loan"). The purpose of the Wuxi Jiayu Syndicated Loan is for finance the construction of property projects of Wuxi Jiayu Real Estate Co., Ltd. As of December 31, 2018, the aggregate amount outstanding under the loan was RMB675.0 million.

Interest

The principal amounts outstanding under the loan bears interest of the benchmark lending interest rate as published by the PBOC plus a margin of 3.0% per annum. Interest payments are payable quarterly and must be made on each repayment date.

Covenants

The borrower has agreed, among other things, not to take the following actions without the lenders' prior written consents:

- create encumbrances or allow any third party to create any encumbrance (including but not limited to mortgage, charge and pledge) on any part of the land use rights of the borrower or any other assets of the borrower;
- apply for other loans or make investments unless otherwise permitted by the lenders;
- declare or pay dividend or undertake any other form of distribution to any shareholder of the borrower;
- merger or division, reduction of registered capital of the borrower; and
- sell, lease, transfer or dispose of any material assets of the borrower.

Undertakings

The borrower has committed to various financial reporting, insurance, environmental, information, financial and project re-financing undertakings. In addition, if the actual expenditure on the construction project exceeds the budgeted expenditure, the borrower shall fund the excessive expenses by its own means.

Events of default

The agreement contains certain events of default, including, among others, failure to repay the required repayment sum by specified repayment dates, misuse of the proceeds, misrepresentation, covenants and undertakings specified in the loan agreement, failure to perform other obligations of the borrower under the loan agreement, failure to repay any other loan or debit of the borrower on the due date in the amount of or exceed the amount of RMB1,000,000, alteration to the equity structure of the borrower without 60 days prior notice to the lenders, insolvency or dissolution of the borrower, failure to meet the financial undertakings under the loan agreement, invalidity or unenforceability of the loan agreement, occurrence of material adverse event as provided under the loan agreement and seizure, confiscation or freezing of assets of the borrower worth RMB1,000,000 or more for more than twenty business days.

The lenders are entitled to demand immediate repayment of the principal sum and any accrued interest upon occurrence of an event of default.

Guarantee and Security

The loan is guaranteed by Shanghai Powerlong Industry Development (Group) Co., Ltd, and is secured by land use rights relating to three parcels of land of the borrower.

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing loan agreements with PRC trust companies (the "Trust Financing Loans") to finance property development or for, general corporate purposes. These Trust Financing Loans typically have a term of one to two years. As of December 31, 2018, we had 13 Trust Financing Loans of an aggregate principal amount of RMB4,485.0 million with 10 PRC trust companies, which are for project construction and investment properties. Of these 14 Trust Financing Loans, three will mature in 2019 and one will mature in 2020.

Interest

The principal amounts outstanding under the Trust Financing Loans bear a fixed interest rate. Interest payments are payable quarterly or on a payment date as provided in the particular loan agreement.

Covenants

Under these Trust Financing Loans, some of our PRC subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender or obtaining the lenders' prior consent:

- transfer, lease or create encumbrances on any part of its pledged assets or dispose any of its pledged assets
- take any action which may adversely affect the value of the pledged assets;
- the occurrence of any material adverse change in the financial condition of the borrower;
- the occurrence of any material litigation pending against the borrower;
- the occurrence of any material investigation by governmental authorities; or
- take any other action which may adversely affect their ability to repay the loans.

Guarantee and security

Our Trust Financing Loans are guaranteed by the subsidiaries of such PRC subsidiary borrowers or us and/or secured by land use rights of or share capital in our PRC subsidiary borrowers.

Offshore Bank Facilities

In February 2017, we entered into a loan facility consisting of two tranches, a five year-term loan with an aggregate amount up to approximately US$70.0 million and a three-year term loan with an aggregate amount up to RMB30.0 million with Dah Sing Bank Limited. As of the date of this offering circular, an aggregate amount of approximately US$9.1 million was outstanding under these term loan facilities.

In March 2017, we entered into term loan facility of up to US$65.0 million with Bank of Communications Co., Ltd. Hong Kong Branch. The facility has a tenor of three years. As of the date of this offering circular, US$64.4 million was outstanding under this facility.

In May 2017, we entered into credit facility of up to US$80.0 million with Taishin International Bank. This facility will expire in October 2019. As of the date of this offering circular, RMB62.7 million (US$9.1 million) was outstanding under this facility.

In April 2018, we entered into a facility agreement of up to HK$200 million (US$25.5 million) with Tai Fung Bank Limited. The facility has a tenor of three years. As at the date of this offering circular, HKD180.0 million (US$23.0 million) was outstanding under this facility.

In June 2018, we entered into a term loan facility of up to HK$300 million (US$38.3 million) with China Merchant Bank Co. Ltd Hong Kong Branch. The facility has a tenor of three years. As at the date of this offering circular, approximately HKD282.2 million (US$36.0 million) was outstanding under this facility.

In July 2018, we and Kind Sonic Limited entered into revolving credit facility and term loan with The Bank of East Asia of up to HKD1,557.5 million (US$198.9 million). As of the date of this offering circular, RMB1,211.0 million (US$176.1 million) was outstanding under this facility.

In August 2018, we entered into term loan facility, as amended and supplemented, of up to US$50.0 million with Bank of China (Hong Kong) Limited. This facility has a tenor of one year. As of the date of this offering circular, US$16.2 million was outstanding under this facility.

In September 2018, we entered into a term loan facility of up to HKD$550 million (US$70.2 million) with Wing Lung Bank Limited. The facility has a tenor of three years. As at the date of this offering circular, HKD480.0 million (US$61.3 million) was outstanding under this facility.

In November 2018, we entered into a credit facility of up to US$50.0 million with Fubon Bank (Hong Kong) Limited. The facility has a tenor of one year. As of the date of this offering circular, RMB24.0 million (US$3.5 million) was outstanding under this facility.

In November 2018, we entered into a loan facility of up to RMB120.0 million (US$17.5 million) with Luso International Banking Ltd. This facility has a tenor of three years. As of the date of this offering circular, RMB117.6 million (US$17.1 million) was outstanding under this facility.

In March 2019, we entered into a loan facility consisting of three tranches, (i) a five-year term loan with an aggregate amount up to approximately US$8.7 million, (ii) a three-year term loan with an aggregate amount up to HKD36.9 million (US$4.7 million) and (iii) a three-year term loan with an aggregate amount up to HKD100.0 million (US$12.8 million) with Dah Sing Bank Limited. As of the date of this offering circular, an aggregate amount of approximately US$100.0 million was outstanding under these term loan facilities.

Save for the loan facility with Tai Fung Bank Limited and part of the loan facility with Dah Sing Bank Limited, all of the above credit facilities are backed by standby letters of credit issued by PRC banks, which are in turn secured by cash deposits and other assets of our PRC subsidiaries.

First 2021 Notes

On September 15, 2016, we entered into an indenture (the "First 2021 Notes Indenture"), pursuant to which we issued an aggregate principal amount of US$200.0 million, 4.875% Senior Notes due 2021 (the "First 2021 Notes"). The First 2021 Notes are listed on the SGX-ST. As of the date of this offering circular, we had a total amount of US$200.0 million principal amount of First 2021 Notes outstanding.

Guarantee

The obligations pursuant to the First 2021 Notes are guaranteed by our existing subsidiaries, or the First 2021 Subsidiary Guarantors, and by our existing joint venture subsidiaries, or the First 2021 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the First 2021 Notes Indenture. We refer to these guarantees as the First 2021 Subsidiary Guarantees and the First 2021 JV Subsidiary Guarantees, respectively. Under certain circumstances and subject to certain conditions, a First 2021 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or First 2021 JV Subsidiary Guarantee.

Each of the First 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the First 2021 Notes.

Collateral

The capital stock of the First 2021 Subsidiary Guarantors (the "Shared Collateral") is currently pledged pursuant to share pledges (the "Share Pledges") dated August 15, 2018, October 12, 2018 and December 28, 2018, together with the Intercreditor Agreement, to secure on a pari passu basis our obligations under (i) the First 2021 Notes and the subsidiary guarantees provided by the guarantor pledgors under the First 2021 Notes Indenture, (ii) the 2020 Notes and the subsidiary guarantees provided by the guarantor pledgors under the 2020 Notes Indenture, (iii) the Second 2021 Notes and the subsidiary guarantees provided by the guarantor pledgors under the Second 2021 Notes Indenture, (iv) the Third 2021 Notes and the subsidiary guarantees provided by the guarantor pledgors under the Third 2021 Notes Indenture, (v) the 2017 Facility, (vi) the Second 2018 Facility and (vii) the 2019 Facility, subject to the Intercreditor Agreement. The Intercreditor Agreement governs the relationships among the holders of the 2020 Notes, the holders of the First 2021 Notes, the holders of the Second 2021 Notes, the holders of the Third 2021 Notes, the lenders under the 2017 Facility, the lenders under the Second 2018 Facility and the lenders under the 2019 Facility 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 Security 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 an accession deed 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 Collateral on a pari passu basis with the First 2021 Notes, the 2020 Notes, the Second 2021 Notes, the Third 2021 Notes, the 2017 Facility, the Second 2018 Facility, the 2019 Facility and the subsidiary guarantees provided by the subsidiary guarantor pledgors relating to these securities, subject to the Intercreditor Agreement.

Interest

The First 2021 Notes bear interest at a rate of 4.875% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2017.

Covenants

Subject to certain conditions and exceptions, the First 2021 Notes Indenture, each of the related First 2021 Subsidiary Guarantees and each of the First 2021 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

(a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

(b) declaring dividends on its capital stock or purchasing or redeeming capital stock;

(c) making investments or other specified restricted investments;

(d) issuing or selling capital stock of certain of its subsidiaries;

(e) guaranteeing indebtedness of certain of its subsidiaries;

(f) selling assets;

(g) creating liens;

(h) entering into sale and leaseback transactions;

(i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(j) entering into transactions with shareholders or affiliates; and

(k) effecting a consolidation or merger.

Events of default

The events of default under the First 2021 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the First 2021 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the First 2021 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the First 2021 Notes Indenture or under the First 2021 Notes (other than a default specified in clause (a), (b) or (c) 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the First 2021 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the First 2021 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the First 2021 Notes and the First 2021 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the First 2021 Notes Indenture and the relevant security documents provided under the First 2021 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the First 2021 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the First 2021 Notes to be immediately due and payable.

Redemption

At any time and from time to time on or after September 15, 2019, we may redeem the First 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, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on September 15 of each of the years indicated below.

Period	Redemption Price
2019	102.438%
2021	101.219%

At any time prior to September 15, 2019, we may at its option redeem the First 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the First 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 September 15, 2019, we may redeem up to 35% of the principal amount of the First 2021 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 104.875% of the principal amount of the First 2021Notes, 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 First 2021 Notes originally issued on the issue date of the First 2021 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

2020 Notes

On July 19, 2017, we entered into an indenture (the "2020 Notes Indenture"), pursuant to which we issued an aggregate principal amount of US$200.0 million 5.95% Senior Notes due 2020 (the "Original 2020 Notes"). On August 2, 2017 and August 15, 2018, we issued additional US$100.0 million and US$250.0 million aggregate principal amounts of 5.95% senior notes due 2020, to be consolidated and form a single class with the Original 2020 Notes issued by the Company on July 19, 2017 (the "2020 Notes"). The 2020 Notes are listed on the SGX-ST. As of the date of this offering circular, we had a total amount of US$550.0 million principal amount of 2020 Notes outstanding.

Guarantee

The obligations pursuant to the 2020 Notes are guaranteed by our existing subsidiaries, or the 2020 Subsidiary Guarantors, and by our existing joint venture subsidiaries, or the 2020 JV Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2020 Notes Indenture. We refer to these guarantees as the 2020 Subsidiary Guarantees and the 2020 JV Subsidiary Guarantees, respectively. Under certain circumstances and subject to certain conditions, a 2020 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or 2020 JV Subsidiary Guarantee.

Each of the 2020 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2020 Notes.

Collateral

The 2020 Notes is secured by the Shared Collateral. See "— First 2021 Notes — Collateral".

Interest

The 2020 Notes bear interest at a rate of 5.95% per annum, payable semi-annually in arrears on January 19 and July 19 of each year, commencing on January 19, 2018.

Covenants

Subject to certain conditions and exceptions, the 2020 Notes Indenture, each of the related 2020 Subsidiary Guarantees and each of the 2020 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

(a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

(b) declaring dividends on its capital stock or purchasing or redeeming capital stock;

(c) making investments or other specified restricted investments;

(d) issuing or selling capital stock of certain of its subsidiaries;

(e) guaranteeing indebtedness of certain of its subsidiaries;

(f) selling assets;

(g) creating liens;

(h) entering into sale and leaseback transactions;

(i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(j) entering into transactions with shareholders or affiliates; and

(k) effecting a consolidation or merger.

Events of default

The events of default under the 2020 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the 2020 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the 2020 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the 2020 Notes Indenture or under the 2020 Notes (other than a default specified in clause (a), (b) or (c) 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the 2020 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the 2020 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the 2020 Notes and the 2020 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the 2020 Notes Indenture and the relevant security documents provided under the 2020 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the 2020 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the 2020 Notes to be immediately due and payable.

Redemption

At any time, we may at its option 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 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, we may redeem up to 35% of the principal amount of the 2020 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 105.95% of the principal amount of the 2020 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 2020 Notes originally issued on the issue date of the 2020 Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

Second 2021 Notes

On April 17, 2018, we entered into an indenture (the "Second 2021 Indenture"), pursuant to which we issued an aggregate principal amount of US$350.0 million 6.95% Senior Notes due 2021 (the "Second 2021 Notes"). The Second 2021 Notes are listed on the SGX-ST. As of the date of this offering circular, we had a total amount of US$350.0 million principal amount of the Second 2021 Notes outstanding.

Guarantee

The obligations pursuant to the Second 2021 Notes are guaranteed by our existing subsidiaries, or the Second 2021 Subsidiary Guarantors, and by our existing joint venture subsidiaries, or the Second 2021 Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the Second 2021 Indenture. We refer to these guarantees as the "Second 2021 Subsidiary Guarantees" and the "Second 2021 JV Subsidiary Guarantees", respectively. Under certain circumstances and subject to certain conditions, a Second 2021 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a Second 2021 JV Subsidiary Guarantee.

Each of the Second 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the Second 2021 Notes.

Collateral

The Second 2021 Notes and the subsidiary guarantees provided by the Second 2021 Subsidiary Guarantors are secured by Shared Collateral. See "— First 2021 Notes — Collateral."

Interest

The Second 2021 Notes bear interest at a rate of 6.95% per annum. Payable semi-annually in arrears on April 17 and October 17 of each year, commencing on October 17, 2018.

Covenants

Subject to certain conditions and exceptions, the Second 2021 Notes Indenture, each of the related Second 2021 Subsidiary Guarantees and each of the Second 2021 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

(a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

(b) declaring dividends on its capital stock or purchasing or redeeming capital stock;

(c) making investments or other specified restricted investments;

(d) issuing or selling capital stock of certain of its subsidiaries;

(e) guaranteeing indebtedness of certain of its subsidiaries;

(f) selling assets;

(g) creating liens;

(h) entering into sale and leaseback transactions;

(i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(j) entering into transactions with shareholders or affiliates; and

(k) effecting a consolidation or merger.

Events of default

The events of default under the Second 2021 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the Second 2021 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the Second 2021 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the Second 2021 Notes Indenture or under the Second 2021 Notes (other than a default specified in clause (a), (b) or (c) 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the Second 2021 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the Second 2021 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the Second 2021 Notes and the Second 2021 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the Second 2021 Notes Indenture and the relevant security documents provided under the Second 2021 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Second 2021 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Second 2021 Notes to be immediately due and payable.

Redemption

At any time, we may at its option redeem the Second 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Second 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. At any time and from time to time, we may redeem up to 35% of the aggregate principal amount of the Second 2021 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 106.95% of the principal amount of the Second 2021 Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Third 2021 Notes

On January 14, 2019, we entered into an indenture (the "Third 2021 Indenture"), pursuant to which we issued an aggregate principal amount of US$200.0 million 9.125% Senior Notes due 2021 (the "Third 2021 Notes"). The Third 2021 Notes are listed on the SGX-ST. As of the date of this offering circular, we had a total amount of US$200.0 million principal amount of the Third 2021 Notes outstanding.

Guarantee

The obligations pursuant to the Third 2021 Notes are guaranteed by our existing subsidiaries, or the Third 2021 Subsidiary Guarantors, and by our existing joint venture subsidiaries, or the Third 2021 Subsidiary Guarantors, in each case other than those organized under the laws of the PRC and certain other subsidiaries specified in the Third 2021 Indenture. We refer to these guarantees as the "Third 2021 Subsidiary Guarantees" and the "Third 2021 JV Subsidiary Guarantees", respectively. Under certain circumstances and subject to certain conditions, a Third 2021 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or a Third 2021 JV Subsidiary Guarantee.

Each of the Third 2021 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, an all other amounts payable under the Third 2021 Notes.

Collateral

The Third 2021 Notes and the subsidiary guarantees provided by the Third 2021 Subsidiary Guarantors are secured by Shared Collateral. See " First 2021 Notes Collateral."

Interest

The Third 2021 Notes bear interest at a rate of 9.125% per annum. Payable semi-annually in arrears on January 14 and July 14 of each year, commencing on July 14, 2019.

Covenants

Subject to certain conditions and exceptions, the Third 2021 Notes Indenture, each of the related Third 2021 Subsidiary Guarantees and each of the Third 2021 JV Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

(a) incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;

(b) declaring dividends on its capital stock or purchasing or redeeming capital stock;

(c) making investments or other specified restricted investments;

(d) issuing or selling capital stock of certain of its subsidiaries;

(e) guaranteeing indebtedness of certain of its subsidiaries;

(f) selling assets;

(g) creating liens;

(h) entering into sale and leaseback transactions;

(i) entering into agreements that restrict certain of its subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

(j) entering into transactions with shareholders or affiliates; and

(k) effecting a consolidation or merger.

Events of default

The events of default under the Third 2021 Notes include, among others: (a) default in the payment of principal (or premium, if any); (b) default in the payment of interest and such default continues for a period of 30 consecutive days; (c) default in the performance or breach of the provisions of those covenants under the Third 2021 Notes Indenture in relation to consolidation, merger and sale of assets, the failure by the Company to make or consummate an offer to purchase or the failure by the Company to create, or cause certain of its subsidiaries to create, a lien on the collateral, in accordance with the relevant covenants under the Third 2021 Notes Indenture; (d) default by the Company or certain of its subsidiaries in the performance of or breach by the Company or certain of its subsidiaries any other covenant or agreement in the Third 2021 Notes Indenture or under the Third 2021 Notes (other than a default specified in clause (a), (b) or (c) 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; (e) default by the Company or certain of its subsidiaries in the repayment of indebtedness having, in the aggregate, an outstanding principal amount in excess of US$7.5 million; (f) one or more final judgments or orders for the payment of money are rendered against the Company or certain of its subsidiaries and are not paid or discharged, with an aggregate amount exceeding US$7.5 million; (g) involuntary bankruptcy or insolvency proceedings against the Company or certain of its subsidiaries; (h) voluntary bankruptcy or insolvency proceedings commenced by the Company or certain of its subsidiaries or consent to such similar action or effect any general assignment for the benefit of creditors; (i) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its guarantees with respect to the obligations of the Notes or, except as permitted by the Third 2021 Notes Indenture, any such guarantee is determined to be unenforceable or invalid or for any reason ceases to be in full force and effect; (j) default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the security provided under the relevant security documents or the Third 2021 Notes Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable lien on the collateral pledged or charged to serve as security for the Third 2021 Notes and the Third 2021 Subsidiary Guarantees or which adversely affects the condition or value of such collateral, taken as a whole, in any material respect; or (k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms in writing its obligations under the relevant security documents or, other than in accordance with the Third 2021 Notes Indenture and the relevant security documents provided under the Third 2021 Notes, any such relevant security document ceasing to be or is not in full force and effect, or the security agent ceasing to have a security interest in the collateral (subject to any permitted liens). If an event of default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Third 2021 Notes then outstanding, may, by written notice, declare the principal of, premium, if any, and accrued and unpaid interest on the Third 2021 Notes to be immediately due and payable.

Redemption

At any time, we may at its option redeem the Third 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Third 2021 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. At any time and from time to time, we may redeem up to 35% of the aggregate principal amount of the Third 2021 Notes with the net cash proceeds of one or more sales of our shares in an equity offering at a redemption price equal to 109.125% of the principal amount of the Third 2021 Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Perpetual Capital Instruments and Other Trust Loan Agreements

In 2016, 2017 and 2018, five of our PRC wholly-owned subsidiaries have respectively entered into six perpetual trust loan agreements (the "Perpetual Trust Loan Agreements") with four PRC financial institutions, with principal loan limit at RMB1,000.0 million, RMB816.7 million and RMB546.0 million, respectively. These perpetual trust loan agreements are considered as "equity" for our accounting purposes. As of December 31, 2018, the aggregate outstanding principal amount of these perpetual financial instruments was RMB1,546.0 million (US$224.9 million). Such amount was used for repayment of loans and for financing our project construction in Luoyang and Shanghai.

2016 Facility

We entered into a US$120.0 million secured loan facility agreement dated May 20, 2016 (the "2016 Facility Agreement") with: (i) The Bank of China (Hong Kong) Limited, The Bank of East Asia, Limited and Wing Lung Bank, Limited, as lead arrangers; (ii) the financial institutions set forth therein; and (iii) The Bank of China (Hong Kong) Limited as the agent. As of the date of this offering circular, we have fully repaid the loan.

2017 Facility

We entered into a US$150.0 million equivalent multicurrency multiple tranche term facility (with an accordion feature of up to US$200,000,000 equivalent) dated August 29, 2017 (the "2017 Facility Agreement") with: (i) The Bank of China (Hong Kong) Limited and Wing Lung Bank, Limited, as the mandated lead arrangers and bookrunners, (ii) The Bank of East Asia, Limited, as the mandated lead arranger, (iii) Tai Fung Bank Limited, as lead arranger; (iv) the financial institutions set forth therein; and (v) The Bank of China (Hong Kong) Limited as the agent (the "2017 Agent"). The proceeds of the loan facility were to be used to fully refinance the 2017 Notes and existing financial indebtedness of the Group other than the 2017 Notes. The 2017 Facility is comprised of: (a) Tranche A, which is a term loan facility in Hong Kong Dollars, (b) Tranche B, which is a term loan facility in United States Dollars, and (c) Tranche C, which is a term loan facility in Renminbi. As of the date of this offering circular, we have approximately US$135.0 million outstanding under this loan.

Interest

Under the 2017 Facility, the applicable rate of interest on each tranche of the 2017 Facility is (a) Hong Kong Inter-bank Offered Rate plus 3.70% per annum for Tranche A, (b) London Interbank Offered Rate plus 3.70% per annum for Tranche B, and (c) the higher of (i) the rate per annum equal to 105% on top of the prevailing People's Bank of China Base Interest Rate, and (ii) 4.98% per annum for Tranche C. If we fail to pay the sum due on its payment date, interest will accrue on the unpaid sum from the due date to the date of actual payment (both before and after judgment) at a rate which is 2.0% higher than the rate which would have been payable if the unpaid sum had, during the period of non-payment, constituted a loan in the currency of the unpaid sum for successive interest periods, each of a duration selected by the 2017 Agent.

Maturity and Prepayment

The 2017 Facility is repayable in three instalments and in the amounts as follows: (i) on the date falling 12 months after the date of the 2017 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 24 months after the date of the 2017 Facility Agreement, 30.0% of the outstanding loan facility; and (iii) on the date falling 36 months after the date of the 2017 Facility Agreement, 60.0% of the outstanding loan facility. We have the right to prepay the facility by giving not less than 14 days' prior notice (or such shorter period as the majority lenders may agree) to the 2017 Agent.

Guarantee and Indemnity

Our obligations under the 2017 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside of the PRC.

Covenants

Pursuant to the 2017 Facility Agreement, we are required to comply with certain financial covenants including the following:

- our consolidated tangible net worth shall not at any time be less than RMB20.0 billion;
- our ratio of consolidated net borrowings to consolidated tangible net worth shall not at any time be more than 1:1;
- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2:1;
- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1; and
- the amount of any distributions declared and/or paid by us in respect of any relevant period shall not exceed 30.0% of our consolidated net profit after tax for the relevant period.

Collateral

The 2017 Facility is secured by the Shared Collateral. See "— First 2021 Notes — Collateral."

Events of Default

The 2017 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. The 2017 Agent, as directed by the majority lenders, is entitled to terminate all or any part of the total commitments, declare that all or part of any amounts outstanding immediately due and payable and/or payable on demand by the 2017 Agent acting on the instructions of the majority lenders and/or direct the security agent and/or any other beneficiary of the security documents to exercise any or all of their respective rights, remedies, powers and discretions under the finance documents.

2018 Facility

On April 18, 2018, we entered into a HK$200.0 million (US$25.5 million) term loan facility with Tai Fung Bank Limited as the lender (the "2018 Facility Agreement"). The proceeds of the loan facility were used for the purpose of general working capital requirements of the Company. As of the date of this offering circular, we have approximately HK$180.0 million (US$23.0 million) outstanding under this loan.

Interest

Under the 2018 Facility, the applicable rate of interest is the Hong Kong Interbank Offered Rate plus 3.1% per annum.

Maturity

The 2018 Facility matures on April 18, 2021.

Covenants

Pursuant to the 2018 Facility Agreement, we are required to comply with certain financial covenants and also procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fong, in aggregate, to (i) remain the single largest shareholder of the Company, (ii) maintain, directly or indirectly, beneficial ownership of not less than 40% of the entire issued share capital of the Company, and (iii) maintain management control of the Company.

Events of Default

The 2018 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lender may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan be payable on demand, and/or exercise any or all of its respective rights, remedies, powers and discretions under the finance documents.

Second 2018 Facility

On July 5, 2018, we entered into a facility agreement, as amended and supplemented from time to time (the "Second 2018 Facility") with, among others, The Hongkong and Shanghai Banking Corporation Limited, as the mandated lead arranger and bookrunner, coordinating arranger and the agent, The Hongkong and Shanghai Banking Corporation Limited, The Bank of East Asia Limited and Tai Fung Bank Limited, as the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK$824.0 million (US$105.2 million) (with an accordion feature of up to US$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The Second 2018 Facility is comprised of two tranches: tranche A includes a term loan facility in Hong Kong Dollars, and tranche B includes a term loan facility in United States Dollars. As of the date of this offering circular, an aggregate of approximately HK$1,528.0 million (US$195.1 million) of the facility was outstanding.

Interest

Under the Second 2018 Facility, the applicable rate of interest for tranche A, including the current outstanding amount under the Second 2018 Facility, is the Hong Kong Interbank Offered Rate plus 3.40% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.40% per annum.

Maturity and Prepayment

The Second 2018 Facility matures on April 5, 2022. The Second 2018 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the Second 2018 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the Second 2018 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the Second 2018 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the Second 2018 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least 14 business days' notice to The Hongkong and Shanghai Banking Corporation Limited as the agent, subject to the terms of the Second 2018 Facility Agreement.

Guarantee and Indemnity

Our obligations under the Second 2018 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the Second 2018 Facility Agreement, we are required to comply with certain financial covenants and to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fang, in aggregate, (i) remain as the single largest shareholder of the Company, and (ii) maintain, directly or indirectly, beneficial owner of not less than 40% of the entire issued share capital of the Company, and (iii) maintain management control of the Company.

Pursuant to the Second 2018 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;

- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;

- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;

- our amount of any dividend of distribution in cash declared and/or paid by it in respect of any relevant period shall not exceed 30% of our consolidated net profit after tax for such relevant period; and

- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed 1.2:1.

Collateral

The Second 2018 Facility is secured by the Shared Collateral. See "— First 2021 Notes — Collateral."

Events of Default

The Second 2018 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the Second 2018 Facility Agreement.

2019 Facility

On July 8, 2019, we entered into a facility agreement, as amended and supplemented from time to time (the "2019 Facility") with, among others, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arranger, bookrunner and the lenders, for a dual tranche and dual currency loan facility in an aggregate amount of HK$514.8 million (US$65.7 million) and US$40.0 million (with an accordion feature of up to US$200,000,000 equivalent). The proceeds of the loan facility were used for the purpose of refinancing existing indebtedness and financing the general working capital of the Company. The 2019 Facility is comprised of two tranches: tranche A includes a term loan facility in Hong Kong Dollars, and tranche B includes a term loan facility in United States Dollars. As of the date of this offering circular, an aggregate of approximately HK$514.8 million (US$65.7 million) and US$40.0 million of the facility was outstanding.

Interest

Under the 2019 Facility, the applicable rate of interest for tranche A, including the current outstanding amount under the 2019 Facility, is the Hong Kong Interbank Offered Rate plus 3.40% per annum, and the applicable rate of interest for tranche B is the London Interbank Offered Rate plus 3.40% per annum.

Maturity and Prepayment

The 2019 Facility matures on January 8, 2023. The Second 2017 Facility is repayable in four installments and in the amounts as follows: (i) on the date falling 24 months after the date of the 2019 Facility Agreement, 10.0% of the outstanding loan facility; (ii) on the date falling 30 months after the date of the 2019 Facility Agreement, 10.0% of the outstanding loan facility; (iii) on the date falling 36 months after the date of the 2019 Facility Agreement, 15.0% of the outstanding loan facility; and (iv) on the date falling 42 months after the date of the 2019 Facility Agreement, 65.0% of the outstanding loan facility. We have the right to prepay the loan facility by giving at least five business days' notice to The CMB Wing Lung Bank Limited as the agent, subject to the terms of the 2019 Facility Agreement.

Guarantee and Indemnity

Our obligations under the 2019 Facility Agreement are guaranteed by certain subsidiaries which are incorporated outside the PRC.

Covenants

Pursuant to the 2019 Facility Agreement, we are required to comply with certain financial covenants and to procure that Mr. Hoi Kin Hong and Mr. Hoi Wa Fang, in aggregate, (i) remain as the single largest shareholder of the Company, and (ii) maintain, directly or indirectly, beneficial owner of not less than 40% of the entire issued share capital of the Company, and (iii) maintain management control of the Company.

Pursuant to the 2019 Facility Agreement, we are required to comply with the following financial covenants:

- our consolidated tangible net worth, excluding minority interests, shall not at any time be less than RMB25.0 billion;

- our ratio of consolidated EBITDA to consolidated interest expense for the relevant period shall not be less than 2.5:1;

- our ratio of consolidated PRC borrowings to consolidated total assets shall not at any time exceed 0.38:1;

- Save in respect of the relevant period ending December 31, 2019, the amount of any dividend or distribution in cash declared and/or paid by it in respect of any relevant period shall not exceed 30% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period and In respect of the relevant period ending December 31, 2019, the amount of any dividend or distribution in cash declared and/or paid by it shall not exceed 40% of its consolidated net profit after tax (as such term is interpreted under GAAP) for such relevant period; and

- our ratio of consolidated net borrowings to consolidated tangible net worth, including minority interests, shall not at any time exceed: (i) 1.20:1 for the relevant periods ending June 30, 2019 and December 31, 2019; (ii) 1.15:1 for the relevant periods ending June 30, 2020 and December 31, 2020; and (iii) 1.10:1 for the relevant periods ending June 30, 2021 and any relevant period thereafter.

Collateral

The 2019 Facility is secured by the Shared Collateral. See " First 2021 Notes Collateral."

Events of Default

The 2019 Facility contains certain customary events of default, including non-payment, misrepresentation, cross default and insolvency. On and at any time after the occurrence of an event of default, the lenders may, by notice to us, cancel all or any part of the commitment immediately and/or declare that all or part of the loan facility, together with the accrued interest, and all other amounts accrued or outstanding become immediately due and payable or declare all or part of the loan facility be payable on demand, and/or exercise any of their respective rights, remedies, power and discretions provided under the 2019 Facility Agreement.

Corporate bonds

On January 19, 2016, Shanghai Powerlong completed the issue of its three-year PRC corporate bonds with an aggregate principal amount of RMB2,700.0 million at the coupon rate of 6.20% per annum at 100% of the face value.

On March 8, 2016, Shanghai Powerlong completed the issue of its three-year PRC corporate bonds with an aggregate principal amount of RMB500.0 million and a coupon rate of 6.00% per annum at 100% of the face value.

On November 24, 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500.0 million at 100% of the face value. The Company redeemed the matured 4.98% two-year corporate bonds with the principal amount of RMB500.0 million.

On August 29, 2017, Shanghai Powerlong issued 6.80% three-year PRC corporate bonds with an aggregate principal amount of RMB1,000.0 million at 100% of the face value.

On December 13, 2018, Shanghai Powerlong issued 7.5% three-year PRC corporate bonds with an aggregate principal amount of RMB1,000.0 million at 100% of the face value.

On January 21, 2019, Shanghai Powerlong issued 5.85% 270-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

On March 5, 2019, the Shanghai Powerlong issued 7.20% two-year corporate bonds (medium-term commercial paper) with an aggregate principal amount of RMB1,000.0 million at 100% of the face value.

On April 1, 2019, Shanghai Powerlong completed the public offering of 7.20% corporate bonds specialized in rental housing (Tranche 1), with an aggregate principal amount of RMB300.0 million.

On April 24 and 25, 2019, Shanghai Powerlong issued 5.72% the second tranche of 5.72% 240-days super short-term commercial paper, with an aggregate principal amount of RMB300.0 million at 100% of the face value.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Powerlong Real Estate Holdings Limited, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company that guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." Each Subsidiary of the Company that provides a JV Subsidiary Guarantee (as defined herein) is referred to as a "JV Subsidiary Guarantor."

The Notes are to be issued under the indenture (the "Indenture"), dated as of the Original Issue Date among the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantor, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV 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, the JV 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 39/F Champion Tower, 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 against the Company with respect to the 2020 Notes, the First 2021 Notes, the 2017 Facility, the Second 2021 Notes, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);

- guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees and JV Subsidiary Guarantees", "— Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";

- effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and in the caption "— Security" below, the Notes will be secured by 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) shared on a *pari passu* basis with (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes, (v) the lenders under the Second 2018 Facility, (vi) the holders of the Third 2021 Notes, (vii) the lenders under the 2019 Facility and (viii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness;

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

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

The Notes will mature on July 23, 2023, 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 Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 6.95% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on January 23 and July 23 of each year (each an "Interest Payment Date"), commencing January 23, 2020.

Interest on the Notes will be paid to Note holders ("Holders") of record at the close of business on January 9 or July 9 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee, then payment of principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. 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 comprised 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 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 Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland, and the Notes may be presented for registration of transfer or exchange at such office or agency. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

The Subsidiary Guarantees and JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date 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.

The following Restricted Subsidiaries were not be Subsidiary Guarantors or JV Subsidiary Guarantors on the Original Issue Date:

- All Subsidiaries organized under the laws of the PRC (together, the "PRC Non-Guarantor Subsidiaries");

- Kind Sonic Limited and Wide Evolution Limited (the "Initial Other Non-Guarantor Subsidiaries," which, together with the PRC Non-Guarantor Subsidiaries, New Non-Guarantor Subsidiaries (as defined below) and the Unrestricted Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries"), and

- the Unrestricted Subsidiaries

None of the existing PRC Non-Guarantor Subsidiaries will at any time in the future provide a Subsidiary Guarantee or JV Subsidiary Guarantee. Moreover, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted Subsidiaries organized under the laws of the PRC and the Other Non-Guarantor Subsidiaries (as defined below) 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.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of December 31, 2018,

- the Company and its consolidated subsidiaries had total consolidated indebtedness (including short term borrowings, long term borrowings and convertible bonds) of approximately RMB49,101.3 million (US$7,141.5 million);

- the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors had secured indebtedness of approximately RMB49,336.3 million (US$7,175.7 million); and

- the Non-Guarantor Subsidiaries had total borrowings (excluding intra-group balances) of approximately RMB29,721.8 million (US$4,322.9 million).

In addition, as of December 31, 2018, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB8,974.9 million (US$1,305.4 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 unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The initial JV Subsidiary Guarantors that executed the Indenture on the Original Issue Date were Baohui Real Estate (Hong Kong) Holdings Limited, Powerlong Golden Wheel International Famous Limited, Powerlong Golden Wheel Coral Company Limited and Powerlong Xingchuang (Hong Kong) Limited. Each of the JV Subsidiary Guarantors is a holding company that does not have significant operations. The JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- is a general obligation of such JV Subsidiary Guarantor;

- is enforceable only up to the JV Entitlement Amount;

- is effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is limited to the JV Entitlement Amount and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC and Other Non-Guarantor Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes on a senior basis as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date (other than a JV Subsidiary Guarantor) is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary (the "New Non-Guarantor Subsidiaries," together with the Initial Other Non-Guarantor Subsidiaries, the "Other Non-Guarantor Subsidiaries"), *provided that*, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

In the case of a Restricted Subsidiary (1) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (2) that is incorporated in any jurisdiction other than the PRC, and (3) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase the Capital Stock of an Independent Third Party such that it becomes a Subsidiary and designate such Subsidiary as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, provide a JV Subsidiary Guarantee instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (1) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (2) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value;

- concurrently with providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and, in the case of the Security Documents, also to the Security Agent:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officer's Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral" and "— Permitted Pari Passu Secured Indebtedness," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by the Collateral, pledged by it as described below under the caption "— Security" and:

- will be entitled to a first priority Lien on the Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor shared on a *pari passu* basis with (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes, (v) the lenders under the Second 2018 Facility, (vi) the holders of the Third 2021 Notes, (vii) the lenders under the 2019 Facility and (viii) any other creditors with respect to Permitted Pari Passu Secured Indebtedness; 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); and

- the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured (each JV Subsidiary Guarantee is not required to pledge the shares of any Restricted Subsidiary that it holds).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantor will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes *provided that* any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantor will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantee, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their 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 and the JV Subsidiary Guarantee, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantee, as the case may be, will be reinstated with respect to such payments as though such payment had not been made.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or a JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- in the case of a Subsidiary Guarantee, upon the replacement of such Subsidiary Guarantee with a JV Subsidiary Guarantee in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants 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 or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- in the case of a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any of its Restricted Subsidiaries is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with the consummation of such sale or issuance of Capital Stock, (a) instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its 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 Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the Notes) and (b) instruct the Security Agent to (i) discharge the pledge of the Capital Stock granted by each such New Non-Guarantor Subsidiary and (ii) discharge the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in each such New Non-Guarantor 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 that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including the New Non-Guarantor Subsidiaries and other than Exempted Subsidiaries) do not account for more than 20% of the Total Assets of the Company. 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.

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 Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to conclusively rely on such certificate without investigating the accuracy, authenticity and validity of the certificate and without any liability or responsibility to any person.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or

(b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% of the Capital Stock of the relevant Subsidiary Guarantor, *provided that* the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;

- such sale is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee and in the case of the Security Documents, also to the Security Agent:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee will be limited to the JV Entitlement Amount;

  (ii) a duly executed Security Document that pledges in favor of the Security Agent for itself and for the benefit of the Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

  (iii) an Officer's Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

  (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the "Limitation on Asset Sales" and "Limitation on Restricted Payments" covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture, and will not Guarantee the Notes.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee, the Security Agent or the Holders until the Company has delivered to the Trustee and the Security Agent an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

Security

The obligations of the Company under the Notes and the Subsidiary Guarantors under the Subsidiary Guarantees have been secured by pledges by the Company and the Subsidiary Guarantor Pledgors on a first priority basis, as the case may be, of the Capital Stock of all of the initial Subsidiary Guarantors and the JV Subsidiary Guarantors (the "Collateral") owned by the Company or the Subsidiary Guarantor Pledgors (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date.

The Indebtedness represented by the Notes and the Subsidiary Guarantees will constitute "Permitted Pari Passu Indebtedness" under the terms of the indenture and the Security Documents, including the share pledge agreements executed by the Company and the Subsidiary Guarantor Pledgors in favor of the Security Agent. Accordingly, upon execution of an accession deed to the Intercreditor Agreement (as defined below) by the Trustee and the other parties thereto, the Holders of the Notes will have the benefit of the security interests created over the Collateral under the share pledge agreements.

The initial Subsidiary Guarantor Pledgors were Powerlong Real Estate (BVI) Holdings Limited, Powerlong (BVI) I Limited, Powerlong (BVI) II Limited, Powerlong Culture Group Holdings Limited, Powerlong (BVI) IV Limited, Powerlong Real Estate (Hong Kong) Holdings Limited, China Alliance Worldwide Limited, Powerlong (Hong Kong) 2 Limited, Powerlong (BVI) Asset Management Holdings Limited, Powerlong Land Development Limited, Powerlong (BVI) Hotel Group Holdings Limited and Smart Line Development Limited. The Capital Stock pledged by the Company and each initial Subsidiary Guarantor Pledgor will be that of the initial Subsidiary Guarantors, all of which are holding companies or special purpose companies that do not have significant operations or real property assets other than Capital Stock of the Non-Guarantor Subsidiaries.

None of the Capital Stock of the PRC Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Security Agent.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor (other than a JV 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) after the Original Issue Date, as soon as practicable after such Person has become a Restricted Subsidiary, to secure 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."

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and (i) the holders of the 2020 Notes, (ii) the holders of the First 2021 Notes, (iii) the lenders under the 2017 Facility, (iv) the holders of the Second 2021 Notes, (v) the lenders under the Second 2018 Facility, (vi) the holders of the Third 2021 Notes, (vii) the lenders under of the 2019 Facility and (viii) the holders of any Permitted Pari Passu Secured Indebtedness. As of the date of this offering circular, the aggregate principal amount of the 2020 Notes, the First 2021 Notes, the 2017 Facility, the Second 2021 Notes, the Second 2018 Facility, the Third 2021 Notes and the 2019 Facility outstanding was approximately US$550.0 million, US$200.0 million, US$72.0 million, US$150.0 million, US$350.0 million, approximately US$105.5 million, US$200.0 million and US$105.9 million, respectively. The amount of other Indebtedness secured by the

Collateral (other than with respect to Permitted Liens) was nil. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The proceeds realizable from the Collateral securing the Notes and the Subsidiary Guarantees (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement (as defined below)) are unlikely to be sufficient to satisfy the Company's and each Subsidiary Guarantor Pledgor's obligations under the Notes and the Subsidiary Guarantees, and the Collateral may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See "— Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the 2020 Notes, the First 2021 Notes, the 2017 Facility, the Second 2021 Notes, the Second 2018 Facility, the Third 2021 Notes, the 2019 Facility and other Permitted Pari Passu Secured Indebtedness."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default (as reduced by the obligations owed to other secured creditors under the Intercreditor Agreement), would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Liens for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any Subsidiary Guarantor Pledgor, "Permitted Pari Passu Secured Indebtedness"); *provided that* (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock," (2) the holders of such Indebtedness (or their representative 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 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 and the Security Agent an Opinion of Counsel and Officer's 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 or the Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any security or 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.

Neither the Trustee nor the Security Agent nor any of their officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security

Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so, except to the extent of any breach of trust, wilful default, gross negligence or wilful misconduct of the Trustee or the Security Agent.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors and the Security Agent, among others, entered into an intercreditor agreement dated March 9, 2011. The First 2021 Notes Trustee on behalf of the holders of the First 2021 Notes, the 2020 Notes Trustee on behalf of the holders of the 2020 Notes, the 2017 Facility agent on behalf of the lenders under the 2017 Facility, the Second 2021 Notes Trustee on behalf of the holders of the Second 2021 Notes, the Second 2018 Facility agent on behalf of the lenders under the Second 2018 Facility, the Third 2021 Notes Trustee on behalf of the holders of the Third 2021 Notes and the 2019 Facility agent on behalf of the lenders under the 2019 Facility each executed accession deeds to such intercreditor agreement on September 15, 2016, July 19, 2017, August 30, 2017, April 17, 2018, July 6, 2018, January 14, 2019 and July 8, 2019, respectively (as supplemented by such accession deeds the "Intercreditor Agreement"). The Intercreditor Agreement provides, among other things, (1) that the Secured Creditors thereunder will share equal priority and pro rata entitlement in and to the Collateral and that the Secured Liabilities shall rank *pari passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pari passu* among themselves; (2) for the conditions under which any Lien on such Collateral may be released; and (3) for the conditions under which the Security Agent will take enforcement actions with respect to such Collateral.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments or modifications thereto, and any future intercreditor agreement required under the Indenture.

Enforcement of Security

The first priority Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors have been granted to the Security Agent, subject to sharing under the Intercreditor Agreement. The Security Agent for itself and the creditors party to the Intercreditor Agreement holds such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by such creditors or their respective Creditor Representatives to exercise remedies in accordance with the Security Documents. The Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents and under the applicable Security Documents, to follow the instructions provided to it by such creditors or one or more of the Creditor Representatives representing such creditors under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Security Agent in accordance with written instructions it receives from the Holders under the Indenture.

The Intercreditor Agreement provides that the Security Agent will enforce the Collateral in accordance with a written instruction by any Creditor Representative to do so if it does not receive any conflicting instruction, and in the case of conflicting instructions delivered by two or more Creditor Representatives, the Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement provides that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

> first, to the Security Agent to the extent necessary to reimburse the Security Agent for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Security Documents and preserving the Collateral and all amounts for which the Security Agent is entitled to indemnification under the Security Documents;

second, pro-rata, in or towards payment to the Trustee and other agents under the Indenture, as well as each of the Creditor Representatives under the Intercreditor Agreement for application against any fees, costs and expenses payable to them under the applicable Debt Document and any amount for which such Trustees and/or agents are entitled to indemnification under the applicable Debt Document.

third, to the Trustee for the benefit of Holders and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative) on a pro rata basis; and

fourth, any surplus remaining after such payments will be paid to the Company (for itself and the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto).

The Security Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Security Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Security Agent's Liens on the Collateral.

Neither the Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. Nor will the Security Agent nor the Trustee be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Security Documents provides that the Company and the Subsidiary Guarantor Pledgors shall jointly and severally indemnify the Security Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Security Agent arising out of the Security Documents except to the extent that any of the foregoing have resulted from the breach of trust, willful default, gross negligence or willful misconduct of the Security Agent.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted Pan Passu Secured Indebtedness" above.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture;
- in connection with and upon execution of a JV Subsidiary Guarantee, to replace a Subsidiary Guarantee, with respect to all pledges of Capital Stock granted by the JV Subsidiary Guarantor and its direct and indirect Subsidiaries in accordance with the terms of the Indenture;

- with respect to a Subsidiary Guarantor that becomes a New Non-Guarantor Subsidiary, the release of the pledge of Capital Stock made by the Company or any Subsidiary Guarantor over the shares it owns in such New Non-Guarantor Subsidiary; or

- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of such Subsidiary Guarantor or JV Subsidiary Guarantor as an Unrestricted Subsidiary in accordance with the terms of the Indenture.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes shall then be permitted under the "Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture.

Optional Redemption

At any time prior to July 23, 2021, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, (but not including) to the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time on or after July 23, 2021, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on July 23 of the years indicated below.

Period	Redemption Price
2021	103.475%
2022	101.7375%

At any time and from time to time prior to July 23, 2021, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price equal to 106.95% of the principal amount of the applicable Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided that* at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

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, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate.

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; *provided, however*, that no such partial redemption shall be allowed if it would result in the issuance of a new Note, representing the unredeemed portion, in an amount of less than US$1,000. 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 timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control 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 Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender 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 conflict with the provisions of the Indenture governing the Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

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 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.

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 and interest on the Notes or under the Subsidiary Guarantees or JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or an applicable JV Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (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 or the applicable JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note the Subsidiary Guarantee or the JV Subsidiary Guarantee, 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 or Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor or JV 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 is required by statute or regulation of a Relevant Jurisdiction to reduce or eliminate 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 Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction pursuant to the implementation of FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any other agreement pursuant to the implementation of 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 or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying and Transfer Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying and Transfer Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee, the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant 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 or, in the case of an official position, is announced (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future

Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officer's 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 or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant 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 be entitled to accept, without liability, such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided that* the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock 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 and JV Subsidiary Guarantee;

(b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or JV 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 shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded in the proviso contained in the definition of Permitted Subsidiary Indebtedness);

(d) Indebtedness of the Company or any Restricted Subsidiary owed to 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 (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d), (ii) if the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor 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 or JV Subsidiary Guarantee or such JV Subsidiary Guarantor in the case of a JV Subsidiary Guarantor and (iii) if the Indebtedness is owed to the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;

(e) Indebtedness ("Permitted Refinancing Indebtedness") 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 a correlative meaning) then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p), (q), of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is *pari passu* with, or expressly made subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (q), (r), (s) , (u), (v) and (w) below (together with refinancings thereof, but excluding any Guarantee Incurred under clauses (q), (r), (s), (u), (v) and (w) below to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% 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) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; or (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below; or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed the greater of US$30 million and 0.5% of Total Assets (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$30 million (or the Dollar Equivalent thereof);

(p) Indebtedness Incurred by the Company constituting a Subordinated Shareholder Loan;

(q) Indebtedness Incurred by the Company or any Restricted Subsidiary incorporated under the laws of the PRC which is secured by Investment Properties or PRC Subsidiaries that own Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (q) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (q) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (r), (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (r), (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(r) Indebtedness Incurred the Company or by Restricted Subsidiaries constituting Bank Deposit Secured Indebtedness; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness permitted under this clause (r) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (r) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h) and (q) above and clauses (s), (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clause (q) above and clauses (s), (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(s) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock permitted by this clause (s) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (s) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clauses (h), (q) and (r) above and clauses (u), (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q) and (r) above and clauses (u), (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(t) 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;

(u) 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; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (u) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (u) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r) and (s) above and clauses (v) and (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r) and (s) above and clauses (v) and (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets;

(v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (v) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (v) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s) and (u) above and clause (w) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s) and (u) above and clause (w) below to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets; and

(w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (w) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (w) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clauses (h), (q), (r), (s), (u) and (v) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above or any Guarantee Incurred under clauses (q), (r), (s), (u) and (v) above to the extent the amount of such Contractor Guarantee or Guarantee, as the case may be, is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso 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 and only be required to include the amount of such Indebtedness as one of such types.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of its Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely 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 (other than the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Trust Company Investor);

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in 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 16, 2010, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Notes are issued 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 16, 2010 (1) as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to September 16, 2010 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 16, 2010 and treated as a Restricted Payment under the Indenture, the 2020 Notes Indenture, the First 2021 Notes Indenture, the Second 2021 Notes Indenture or the Third 2021 Notes Indenture) in any Person other than the Company or a Restricted Subsidiary resulting from dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person or the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary (to the extent such Guarantee, when given, constituted a Restricted Payment under the Indenture, the 2020 Notes Indenture, the First 2021 Notes Indenture, the Second 2021 Notes Indenture or the Third 2021 Notes Indenture) or (2) to the extent that an Investment made after September 16, 2010 (that was treated as a Restricted Payment under the Indenture, the 2020 Notes Indenture, the First 2021 Notes Indenture, the Second 2021 Notes Indenture or the Third 2021 Notes Indenture) 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, the 2020 Notes Indenture, the First 2021 Notes Indenture, the Second 2021 Notes Indenture or the Third 2021 Notes Indenture);

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and treated as a Restricted Payment under the Indenture, the 2020 Notes Indenture, the First 2021 Notes Indenture, the Second 2021 Notes Indenture or the Third 2021 Notes Indenture) by the Company or any Restricted Subsidiary in such Person, and *provided further*, that no amount will be included under this clause (iii) to the extent it is already included in Consolidated Net Income as described in clause (i) of this paragraph; plus

(v) US$25 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 or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantors (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, 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 or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) 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 the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause (5) does not exceed an amount equal to 10% of Total Assets;

(6) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(7) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(s) of the covenant described under "– Limitation on Indebtedness and Preferred Stock";

(8) the declaration and payment of dividends by the Company with respect to any financial year up to an aggregate amount not to exceed 25% of the Company's consolidated net profit in such financial year; provided that the conditions of clauses (4)(a) and (4)(c) of the first paragraph of this "Limitation on Restricted Payments" would not be violated as a consequence of such declaration and payment of dividends;

(9) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary in connection with an employee benefit plan or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$5.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination); or

(10) the purchase of Capital Stock of a Person, and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;

provided that, in the case of clause (2), (3) or (4) 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) (but only to the extent that dividends are paid to persons other than the Company or a Restricted Subsidiary) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

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), the Company will deliver to the Trustee an Officer's 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.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

    (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor, Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in 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 the 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) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expect to materially adversely affect the ability of the Company to make required payments on the Notes; or

(g) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (2)(h), (2)(n) or (2)(o) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to (2)(h) and (2)(o), 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.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided that* the Company complies with the "— Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (d), (m)(ii) (other than, in the case of clause (m)(ii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary), (q) or (r) (but in the case of clauses (q) and (r), only to the extent that the pledge of assets or money deposited in bank accounts by the Company or any Restricted Subsidiary in connection with Indebtedness permitted to be Incurred under those clauses constitutes a Guarantee), 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 or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes or any Subsidiary Guarantee or any JV Subsidiary, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary

Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% 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 Officer's 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 to directors of the Company or any Restricted Subsidiary, who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under 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, 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 (other than 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 Circular, 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 the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided that* in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being a shareholder, officer or director of such Restricted Subsidiary).

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 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 afinancial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) 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 Replacement Assets;

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment 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$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other *pari passu* Indebtedness) will be purchased on a pro rata basis by the Company. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

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, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering circular 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 or be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Subsidiary Guarantor provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified 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."

Notwithstanding the immediately preceding paragraph, the Board of Directors may at any time designate each of its Subsidiaries engaged in businesses (the "Non-Core Business") other than the PRC property development business to be an Unrestricted Subsidiary at any time and without such designation being treated as a Restricted Payment, provided that (a) no Default shall have occurred and be continuing as of the date of or after giving effect to such designation under this clause, (b) the Company shall have a bona fide plan to effect a Qualified IPO of the company which operates the Non-Core Business (or its holding company) (the "Listing Vehicle") within 45 days after such designation, (c) after giving pro forma effect to such designation, the Company is able, as of the date of such designation, to incur US$1.00 of Indebtedness under the proviso in the first paragraph of part (a) of the covenant under the caption "—Limitation on Indebtedness and Disqualified or Preferred Stock," (d) immediately after the completion of a Qualified IPO and the listing of the Listing Vehicle, neither the Company nor any Restricted Subsidiary of the Company Guarantees or provides credit support for the Indebtedness of such Subsidiary, (e) such Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company, (f) such 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 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 Disqualified or Preferred Stock" or such Lien would violate the covenant described under the caption "—Limitation on Liens" and (g) such Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries of the Company or are being concurrently designated to be Unrestricted Subsidiaries of the Company in accordance with this paragraph. If no Qualified IPO has occurred within 45 days after any designation of Restricted Subsidiaries as Unrestricted Subsidiaries under the immediately preceding paragraph, such designation of Unrestricted Subsidiaries shall be deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company. The Company and the Subsidiary Guarantors will procure that immediately following the initial public offering and listing of the Listing Vehicle and so long as any of the Notes remain outstanding, the Company and/or one or more Subsidiary Guarantor(s) organized in a Permitted Jurisdiction shall directly own greater than 50% of the Capital Stock of the Listing Vehicle and the Company and/or such Subsidiary Guarantor(s) will not directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on such Capital Stock of the Listing Vehicle.

In making the determination required by clause (c) of the preceding paragraph, pro forma effect may also be given to any expected application of all or a portion of the proceeds to the Company and the remaining

Restricted Subsidiaries (the "Remaining Restricted Group") from a Qualified IPO to repay Indebtedness of the Remaining Restricted Group upon receipt of such proceeds, provided that if the Company and the Restricted Subsidiaries do not in fact receive sufficient proceeds from such Qualified IPO or, following receipt thereof, do not apply such proceeds to repay such Indebtedness, in each case to the extent necessary to satisfy the requirements of clause (c) of the preceding paragraph, then such designation of Unrestricted Subsidiaries shall deemed to have been revoked by the Company and all such Unrestricted Subsidiaries shall be re-designated as Restricted Subsidiaries without any action on the part of the Company.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred or 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 JV Subsidiary Guarantees."; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as 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 Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and 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, 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 the Company's Business Activities";

(7) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(8) "— 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 reinstituted 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

(a) to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with the Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided that* if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(b) 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 and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(c) as soon as they are available, but in any event within 60 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(d) 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 and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then 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 Officer's 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 Officer's Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Limitation on Asset Sales" or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Collateral (subject to any Permitted Liens) in accordance with the 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 Holders of 25% or more in aggregate principal amount of the Notes then outstanding or the Trustee of the written director of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$7.5 million (or the Dollar Equivalent thereof) 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 of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets

of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents 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 in writing its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Security Agent ceases to have a first priority security interest in the Collateral (subject to any Permitted Liens).

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders (subject to being indemnified and/or secured to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee, on behalf of the Holders may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See "— Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct in writing 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 applicable 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 written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written 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 written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

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 its Restricted Subsidiaries' performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Event of 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 conclusively rely, without liability, on any Opinion of Counsel or Officer's Certificate regarding whether an Event of 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 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 or through which payment is made, 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 "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officer's 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 and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under the caption "— Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor) and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture, the Notes, and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which payment is made, and the Indenture, the Notes, and the Security Documents, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officer's 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 "— Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "— The Subsidiary Guarantees — Release of the Subsidiary Guarantees."

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company 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.

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 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 of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture 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, an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture 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 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.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

(a) either:

  (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or

  (2) all Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and

payable within one year, and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be;

(b) the Company or any Subsidiary Guarantor has paid all other sums payable under the Indenture by the Company; and

(c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Company or any Subsidiary Guarantor is a party or by which the Company or any Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to conclusively rely on such certificate and/or opinion without investigating the accuracy, authenticity and validity of those certifications and without any liability or responsibility to any person.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(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 or Security Agent;

(4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture or the Intercreditor Agreement;

(7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;

(8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee to supplement or amend the Intercreditor Agreement, the Security Documents or the

Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture);

(11) permit the Security Agent to hold the Collateral for the Holders and the holders of any Permitted Pari Passu Secured Indebtedness;

(12) make any other change that does not materially and adversely affect the rights of any Holder; or

(13) conform the text of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Intercreditor Agreement.

Amendments With Consent of Holders

Amendments of the Indenture or any Security Document may be made by the Company, the Subsidiary Guarantors, the Security Agent and the Trustee 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 with any provision of the Indenture, the Notes or any Security Documents; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the place or time of payment of principal of, or premium, if any, or interest on, any Note, or change the currency payable on, any Note or change the method of calculation, that would result in the reduction of such principal, premium, if any, or interest;

(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 or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;

(8) release any Collateral, except as provided in the Indenture and the Security Documents;

(9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(11) amend, change or modify any provision of any Security Document 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 or JV Subsidiary Guarantor of any of their rights or obligations under the Indenture or the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, except as permitted pursuant to the provisions described under "Consolidations, Merger and Sale of Assets";

(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 or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors, any of the JV Subsidiary Guarantors, 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, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee, the Security Agent, the Registrar, the Paying Agent and Transfer Agent

Citicorp International Limited has been appointed as Trustee under the Indenture and as Security Agent with respect to the Collateral under the Security Documents, Citibank, N.A., London Branch has been appointed as the registrar (the "Registrar"), the paying agent (the "Paying Agent") and the transfer agent (the "Transfer Agent") with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture against the Trustee. 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 Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee or the Security Agent, should they become creditors 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 and the Security Agent are permitted to engage in other transactions with the Company and its Affiliates and can profit therefrom without being obliged to account for such profit. The Trustee may have interest in or may be providing or may in the future provide financial or other services to other parties.

Citicorp International Limited will initially also act as Security Agent under the Security Documents in respect of the Collateral. The Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Security Agent and the Trustee may have obligations under the Indenture and the Security Documents that are in conflict with the interests of the Holders. The Security Agent and the Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee and/or the Security Agent indemnity and/or security satisfactory to the Trustee and the Security Agent, as applicable, against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Security Agent and the Trustee, 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 Security Agent or the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "Global Note"). 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 Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (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 depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Security Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (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 Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the 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 Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of 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.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Offering and transfer restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee, the Security Agent, the Paying Agent, the Registrar, the Transfer Agent 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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note 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 registrar for delivery to Holders. Persons exchanging interests in a Global Note 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.

Furthermore, if there is an Event of Default under the Notes, 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. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

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.

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 mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or such other address as the Company may advise the Trustee in writing from time to time, of (if intended for 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.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents that exist on the Original Issue Date will be governed by the laws of England or Hong Kong, as the case may be.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2017 Facility" means the US$150.0 million multicurrency multiple tranche term facility granted to the Company pursuant to the 2017 Facility Agreement.

"2017 Facility Agreement" means the term facility agreement dated August 29, 2017, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, Bank of China (Hong Kong) Limited, The Bank of East Asia Limited and Wing Lung Bank Limited, as the mandated lead arrangers, Tai Fung Bank Limited, as the lead arranger, the original lenders set forth therein, and the Bank of China (Hong Kong) Limited, as the agent.

"2019 Facility" means the HK$514,800,000 and US$40,000,000 dual currency dual tranche facility granted to the Company pursuant to the 2019 Facility Agreement.

"2019 Facility Agreement" means the facility agreement dated July 8, 2019, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, CMB Wing Lung Bank Limited as the agent, Agricultural Bank of China Limited Macao Branch, Industrial and Commercial Bank of China (Macau) Limited and Tai Fung Bank Limited as the mandated lead arrangers and bookrunners and the original lenders set forth therein.

"2020 Notes" means the US$550 million 5.95% Senior Notes due 2020 issued by the Company pursuant to the 2020 Notes Indenture.

"2020 Notes Indenture" means the indenture dated July 19, 2017, as amended or supplemented from time to time, governing the 2020 Notes.

"2020 Notes Trustee" means Citicorp International Limited as trustee for the 2020 Notes.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset

Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 23, 2021, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the redemption price of such Note on July 23, 2021 (such redemption price being set forth in the table appearing above under the caption "— Optional Redemption" exclusive of any accrued interest), plus (y) all required remaining scheduled interest payments due on such Note through July 23, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"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 or other dispositions of cash and Temporary Cash Investments;

(3) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(4) 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;

(5) 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;

(6) any transfer, assignment or other disposition deemed to occur in connection with creating granting any Permitted Lien;

(7) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets";

(8) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary; and

(9) sales, transfers or other dispositions by the Listing Vehicle of up to 30% of the Capital Stock of the Listing Vehicle if (i) such Capital Stock is issued following the designation of the Listing Vehicle as an Unrestricted Subsidiary and (ii) such sale, transfer or disposition is made in connection with a Qualified IPO of the Listing Vehicle.

"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 secured by a pledge of one or more bank accounts of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange US dollars or Hong Kong dollars into RMB or vice versa; *provided, however*, that the total deposits in such pledged bank accounts shall not at any time be less than 90% or exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

"Board of Directors" means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York or in London or in 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 merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;

(3) the Permitted Holders are the beneficial owners within the meaning of Rule 13d-3 under the Exchange Act of less than 40% 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 two-thirds of the directors then still 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 or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of each initial Subsidiary Guarantor owned by the Company or a Subsidiary Guarantor.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to July 23, 2021 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a comparable maturity to July 23, 2021.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Company) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), 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), less all non-cash items increasing Consolidated Net Income,

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 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) 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.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Debt Documents" means, collectively, the 2020 Notes Indenture, the First 2021 Notes Indenture, the 2017 Facility Agreement, the Second 2021 Notes Indenture, the Second 2018 Facility Agreement, the Third 2021 Notes Indenture, the 2019 Facility Agreement, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness and any letters appointing any Agent or the Security Agent.

"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 "— 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 "— 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.

"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 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 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV 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, JV Subsidiary Guarantee or Lien over its Capital Stock, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Company having obtained such applicable approval or registration.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of international standing appointed by the Company.

"First 2021 Notes" means the US$200 million 4.875% Senior Notes due 2021 issued by the Company pursuant to the First 2021 Notes Indenture.

"First 2021 Notes Indenture" means the indenture dated September 15, 2016, as amended or supplemented from time to time, governing the First 2021 Notes.

"First 2021 Notes Trustee" means Citicorp International Limited as trustee for the First 2021 Notes.

"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 reasonablebest efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means Hong Kong Financial Reporting Standards 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.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount 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 obligation or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided that* such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (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 the net amount payable if such Hedging Obligation terminated at that time due to default by such Person.

"Intercreditor Agreement" has the meaning set forth under "— Security."

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

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 assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (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 or 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 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 or Moody's or both, as the case may be.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary incorporated under the laws of the PRC for long-term rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor together with (x) any of its Restricted Subsidiaries that are providing JV Subsidiary Guarantees and (y) any of its shareholders that are giving JV Subsidiary Guarantees (each, a "JV Subsidiary Group"), an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Group and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Group and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the effective ownership interest of the Company and its Restricted Subsidiaries expressed as a percentage in the JV Subsidiary Group.

"JV Subsidiary Guarantee" has the meaning set forth under the caption "— The Subsidiary Guarantees and JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"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).

"Listing Rules" means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"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 or securities convertible or exchangeable into 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.

"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 and Transfer 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 tender agent (the "Tender Agent") at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

On the Offer to Purchase Payment Date, the Company shall to the extent lawful: (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officer's Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender 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 conflict with the provisions of the Indenture governing the 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 Purchaser if a third party makes the Offer to Purchase in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officer's Certificate" means a certificate signed by one Officer.

"Opinion of Counsel" means a written opinion from legal counsel which is in form and substance acceptable to the Trustee and the Security Agent, as applicable. The counsel may be a counsel to the Company.

"Ordinary Course Operating Lease" means a lease entered into by a PRC Restricted Subsidiary in the ordinary course of its business with respect to a real property in China which has been developed and sold by another PRC Restricted Subsidiary to one or more investors, pursuant to which the PRC Restricted Subsidiary will (i) agree to pay the investors a pre-determined amount over a term of no more than 10 years and (ii) be entitled to manage such real property by providing management services and retaining any rental proceeds that may be collected from third party tenants of such real property.

"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 or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided that* (1) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (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 "— Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"Permitted Business" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries (as described in the Offering Circular) on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Hoi Kin Hong (許健康), Mr. Hoi Wa Fong and Ms. Hoi Wa Fan, their spouses or immediate family members or any trust established by any of them for their own benefit or for the benefit of any of their immediate family members;

(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% by Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments 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 "— Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;

(16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets in the Company's balance sheet;

(17) repurchases of the Notes; and

(18) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any corporation, association or other business entity of which at least 20.0% of the Capital Stock and Voting Stock is (or upon the making of such Investment, will be) owned, directly or indirectly, by the Company or any Restricted Subsidiary (such corporation, association or other business entity, an "Associate"); provided that:

    (i) the aggregate of all Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 25.0% 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 (18) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (18), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Associate, or

(C) to the extent that an Investment made after the Original Issue Date under this clause (18) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (18);

For the avoidance of doubt, the amount of Investments made after the Original Issue Date shall be calculated as if this clause (18) applied thereto.

(ii) the Associate into which such Investment is made is primarily engaged in the Permitted Businesses;

(iii) none of the other shareholders or partners in such Associate in which such Investment was made pursuant to this clause (18) is a Person described in clauses (a) or (b) of the first paragraph of the covenant under the caption "– Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company, a Restricted Subsidiary or by reason of being a Restricted Subsidiary);

(iv) no Default has occurred and is continuing or would occur as a result of such Investment; and

(v) the Company could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock";

for the avoidance of doubt, the value of each Investment made pursuant to this clause (18) shall be valued 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 and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— 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 "— 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 "— 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 acquired after the Original Issue Date; *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*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements)

or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on Investment Properties, or PRC Restricted Subsidiaries that own Investment Properties, securing Indebtedness of the Company or any Restricted Subsidiary incorporated under the laws of the PRC permitted to be Incurred under clause 2(q) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(21) Liens Incurred on deposits made to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause 2(r) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(22) 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;

(23) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(24) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness or Preferred Stock permitted to be Incurred under clause (2)(s) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(25) 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)(t) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(26) Liens on the Capital Stock of the Person that is to be acquired under the relevant Minority Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(u) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; and

(27) Liens securing Indebtedness Incurred under clause (2)(v) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

provided that, with respect to the Collateral, "Permitted Liens" shall only refer to the Liens described in clauses (1) and (13) 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, (i) the Company in connection with any Bank Deposit Secured Indebtedness and (ii) the Restricted Subsidiaries; *provided that*, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) or (g) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 25% of the 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.

"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 November 7, 2016), 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 or the Singapore Exchange Securities Trading Limited or (2) a national securities exchange (as such term is defined in Section 6 of the U.S. Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the U.S. Securities Act).

"Qualified IPO" means an underwritten public offering of the common stock of the Listing Vehicle on a Recognized Stock Exchange where (i) following such public offering, at least 20% of the aggregate Fair Market Value of the common stock of the Listing Vehicle will be held by Persons who are not Affiliates of the Listing Vehicle and (ii) the proceeds to the Company or the Listing Vehicle, net of selling discounts and commissions, will be at least US$50 million (or the Dollar Equivalent thereof).

"Rating Agencies" means (1) Moody's and (2) if Moody's 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 Moody's.

"Rating Category" means (1) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (2) the equivalent of any such category of Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody's, a decline in a rating from "Ba2" to "Ba3," 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, the Company 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) in the event either of the Notes or the Company is rated by Moody's on the Rating Date as Investment Grade, such rating of the Notes or the Company by Moody's shall be below Investment Grade; or

(b) in the event either of the Notes or the Company is rated below Investment Grade by Moody's on the Rating Date, such rating of the Notes or the Company by Moody's shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"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. Notwithstanding the foregoing, "Sale and Leaseback Transaction" shall not include the sale or transfer of real property to another Person that is leased by the Company or any Restricted Subsidiary pursuant to an Ordinary Course Operating Lease.

"Second 2018 Facility" means the HK$824,000,000 dual currency dual tranche facility granted to the Company pursuant to the Second 2018 Facility Agreement.

"Second 2018 Facility Agreement" means the facility agreement dated July 5, 2018, as amended and supplemented from time to time, among the Company, as the borrower, the Subsidiary Guarantors and JV Subsidiary Guarantors, The Hongkong and Shanghai Banking Corporation, as bookrunner and mandated lead arranger, The Bank of East Asia Limited and Tai Fung Bank Limited as the mandated lead arrangers, The Hongkong and Shanghai Banking Corporation, as coordinating arranger, the original lenders set forth therein, and The Hongkong and Shanghai Banking Corporation, as the agent.

"Second 2021 Notes" means the US$350 million 6.95% Senior Notes due 2021 issued by the Company pursuant to the Second 2021 Notes Indenture.

"Second 2021 Notes Indenture" means the indenture dated April 17, 2018, as amended or supplemented from time to time, governing the Second 2021 Notes.

"Second 2021 Notes Trustee" means Citicorp International Limited as trustee for the Second 2021 Notes.

"Secured Liabilities" means, collectively, the obligations under the Indenture, the 2020 Notes Indenture, the First 2021 Notes Indenture, the 2017 Facility, the Second 2021 Notes Indenture, the Second 2018 Facility, the Third 2021 Notes Indenture, the Permitted Pari Passu Secured Indebtedness and the Security Documents.

"Security Documents" means, collectively, the pledge agreements, the Intercreditor Agreement and any other agreements or instruments that may evidence or create any security interest in favor of the Security Agent in any or all of the Collateral.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or, (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" using the conditions specified in 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 date of this Indenture, if any of the conditions exceeds 5 percent.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any loan to the Company or any Restricted Subsidiary from Permitted Holders which (i) is subordinated in right of payment to the Notes, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, pursuant to a sinking fund obligation event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) does not provide any cash payment of interest.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly: (a) as to more than 50% by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof), or (b) as to 50% by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof), and the Person has, directly or indirectly, the requisite control over such entity to prevent it from incurring any Indebtedness, or taking any other action at any time, in contravention of any of the provisions of the indenture that are applicable to such entity; or

(2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

"Subsidiary Guarantor Pledgor" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided that* a Subsidiary Guarantor Pledgor 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, Hong Kong and Singapore 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, Hong Kong, Singapore or Australia, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's; and

(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 (i) Agricultural Bank of China, Bank of China, Bank of Communications, China Merchants Bank, Industrial Commercial Bank of China, China Construction Bank, or Bank of Shanghai, (ii) China Everbright, CITIC Bank, Chinese Mercantile Bank, Pudong Development Bank, Industrial Bank Co., Ltd. or Huaxia Bank, (iii) any other bank or trust company organized under the laws of the PRC whose long-term debt is rated as high or higher than any of those banks listed in clause (i) of this paragraph or (iv) any other bank organized under the laws of the PRC; *provided that*, in the case of clause (iv), such deposits do not exceed US$10 million (or the Dollar Equivalent thereof) with any single bank or US$30 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"Third 2021 Notes" means the US$200.0 million 9.125% Senior Notes due 2021 issued by the Company pursuant to the Third 2021 Notes Indenture.

"Third 2021 Notes Indenture" means the indenture dated January 14, 2019, as amended and supplemented from time to time, governing the Third 2021 Notes.

"Third 2021 Notes Trustee" means Citicorp International Limited as trustee for the Third 2021 Notes.

"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* 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.

"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 and payable within 90 days.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution or an insurance company organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

"Unrestricted Subsidiary" means PL North America — NJ Port Imperial. Inc. 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.

"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.

TAXATION

CAYMAN ISLANDS, BRITISH VIRGIN ISLANDS AND HONG KONG TAXATION

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong 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 circular, 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

In the opinion of Maples and Calder (Hong Kong) LLP, our Cayman Islands counsel, the following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. No stamp duty is payable in respect of the issue of the Notes. The Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

In accordance with the provision of section 6 of the Tax Concessions Law (2018 Revision), the Financial Secretary undertakes with the Company: (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and (b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable by the Company on or in respect of the shares, debentures or other obligations of the Company or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from July 31, 2007. The Cayman Islands is not a party to any double tax treaties which are applicable to payments made by or to the Company.

British Virgin Islands

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or 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 (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated July 16, 2019 (the "Purchase Agreement"), among Merrill Lynch (Asia Pacific) Limited, CEB International Capital Corporation Limited, CLSA Limited, CMB International Capital Limited, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited and UBS AG Hong Kong Branch, incorporated in Switzerland with limited liability (the "Initial Purchasers"), on the one hand, and us, the Subsidiary Guarantors and the JV Subsidiary Guarantors, on the other hand, the Initial Purchasers have severally agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, the following aggregate principal amounts of the Notes.

Name	Principal Amount
Merrill Lynch (Asia Pacific) Limited	US$35,000,000
CEB International Capital Corporation Limited	US$20,000,000
CLSA Limited	US$20,000,000
CMB International Capital Limited	US$20,000,000
Credit Suisse (Hong Kong) Limited	US$20,000,000
Guotai Junan Securities (Hong Kong) Limited	US$20,000,000
UBS AG Hong Kong Branch, incorporated in Switzerland with limited liability	US$35,000,000
TOTAL	US$170,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and is subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

We, the Subsidiary Guarantors and the JV Subsidiary Guarantors have agreed to jointly and severally indemnify 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. In addition, we, the Subsidiary Guarantors and the JV Subsidiary Guarantors have agreed to jointly and severally reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the Notes.

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers, as the stabilization agents may, to the extent permitted by applicable laws and regulations, engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the stabilization agents may over allot the offering, creating a syndicate short position. In addition, the stabilization agents 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. The stabilization agents are not obligated or required to engage in these activities, and may end any of these activities at any time at their sole discretion without prior notice. No assurance can be given as to the liquidity of, or the trading market for, the Notes. These transactions may be effected in the over-the-counter market or otherwise.

Investors who purchase Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering circular.

We have been advised that the Initial Purchasers presently intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market 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.

In addition, we have agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. The Initial Purchasers or their affiliates are, or may in the future be, lenders to us. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of 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. The Initial Purchaser or their respective affiliates may purchase the Notes for its or their own account and 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 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. The Initial Purchasers may also 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 their respective 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 circular relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

SELLING RESTRICTIONS

The Initial Purchasers and their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of 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.

UNITED STATES

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may only be offered outside the United States in accordance with Regulation S under the Securities Act.

UNITED KINGDOM

Each of the Initial Purchasers has represented, warranted and agreed that:

(a) 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 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 us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

SINGAPORE

The Initial Purchasers have acknowledged that this offering circular has not been, and will not be, registered as a prospectus with the MAS. Accordingly, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold the Notes or caused the Notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed, nor will it circulate or distribute, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This offering circular has not been registered as a prospectus with the MAS. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 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.

Section 309B(1) Notification — The Company has determined, and hereby notifies all persons (including all relevant persons (as defined in Section 309A(1) of the SFA)) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) 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

No Initial Purchaser (1) has offered or sold or will offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the SFO and any rules made thereunder; or (ii) 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 the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; or (2) has 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 any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law") and, accordingly, no Initial Purchaser has, directly or indirectly, offered or sold or will, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

EUROPEAN ECONOMIC AREA

Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

CAYMAN ISLANDS

No Initial Purchaser has offered or sold, and will not offer or sell, any Notes in the Cayman Islands.

PEOPLE'S REPUBLIC OF CHINA

No Initial Purchaser has circulated, and will not circulate, the offering circular and no Initial Purchaser has offered or sold, and will not offer or sell, the Notes, in the People's Republic of China (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

GENERAL

No action is being taken or is contemplated by us that would permit a public offering of the Notes or possession or distribution of any preliminary offering circular or offering circular or any amendment thereof, any supplement thereto or any other offering material relating to the Notes in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (collectively, the "Securities"), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that: the Securities have not been registered under the Securities Act or any other applicable securities laws; the Securities are being offered in transactions that do not require registration under the Securities Act or any other securities laws; the Securities are being offered and sold only outside of the United States, to certain persons in offshore transactions in reliance on Rule 903 or 904 of Regulation S under the Securities Act; and unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering circular. You represent that you are relying only on this offering circular in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.

5. We and the trustee reserve the right to require in connection with any offer, sale or other transfer of the Securities under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee and each note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATING

The Notes have been rated B2 by Moody's. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not address the payment of any Additional Amounts and does not constitute recommendations to purchase, hold or sell the Notes in as much as such rating does not comment as to market price or suitability for a particular investor. We cannot assure you that the corporate rating will remain in effect for any given period or that the rating will not be revised by such rating agency in the future if in 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 Maples and Calder (Hong Kong) LLP as to matters of Cayman Islands law and British Virgin Islands law, Dorsey & Whitney LLP as to matters of United States federal and New York law, Dorsey & Whitney as to matters of Hong Kong law, Dorsey & Whitney (Europe) LLP as to matters of English law and Commerce & Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Skadden, Arps, Slate, Meagher & Flom LLP as to matters of United States federal and New York law and Jun He Law Offices as to matters of PRC law.

AUDITOR

Our consolidated financial statements for each years ended December 31, 2016, 2017 and 2018 reproduced in this offering circular have been audited by PricewaterhouseCoopers, Independent Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), as stated in the reports appearing herein and in our annual reports for the years ended December 31, 2016, 2017 and 2018, respectively.

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. The issue of the Notes have been authorized by a resolution of our board of directors dated July 12, 2019.

DOCUMENTS AVAILABLE

For so long as any of the Notes are outstanding, copies of the Indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal offices of the Company.

CLEARING SYSTEM AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

Common Code	ISIN	LEI number
203033338	XS2030333384	549300R3K12EPXCGDP22

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Notes. 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.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global 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.

INDEX TO FINANCIAL INFORMATION

Note:

The consolidated financial statements set out herein have been reproduced from our annual reports for the years ended December 31, 2016, 2017 and 2018. Page references used in this offering circular different from pages references set forth in the consolidated financial statements published in such annual reports.

pwc 羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 166, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flow for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2016, the Group's investment properties amounted to RMB34.4 billion, which represents 43% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2016 amounted to RMB1.5 billion. Independent external valuations were obtained for the Groups' investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete. We paid significant attention to this area due to the material balances of investment properties to the consolidated financial statements of the Group and there is critical judgement involved in determining the critical assumptions and estimates used in the valuations.	Our procedures in relation to management's valuation of investment properties included: (i) We evaluated the competence, capabilities and objectivity of the independent external valuer; (ii) We used our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (iii) We checked the accuracy and relevance of the input data used in the valuations; (iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and testing the actual costs incurred up to date. We found the key assumptions used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2017

Consolidated Balance Sheet

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**2,797,942**	2,354,664
Land use rights	7	**1,050,746**	1,033,527
Investment properties	8	**34,353,397**	28,370,318
Investments accounted for using the equity method	14	**2,605,100**	1,523,949
Deferred income tax assets	22	**359,998**	394,724
Available-for-sale financial assets	13	**413,250**	318,000
Prepayments	12	**724,667**	407,880
		42,305,100	34,403,062
Current assets			
Properties under development	9	**8,940,371**	13,010,714
Completed properties held for sale	10	**11,302,986**	9,086,095
Trade and other receivables	11	**4,568,119**	2,392,543
Prepayments	12	**1,417,199**	671,529
Prepaid taxes		**418,440**	356,048
Available-for-sale financial assets	13	**–**	16,491
Financial assets at fair value through profit or loss		**27,003**	–
Restricted cash	15	**1,174,497**	1,085,889
Cash and cash equivalents	16	**8,973,804**	5,639,843
		36,822,419	32,259,152
Total assets		**79,127,519**	66,662,214
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	17	**2,683,046**	2,979,696
Other reserves	18	**654,900**	656,386
Retained earnings		**19,280,371**	16,808,903
		22,618,317	20,444,985
Perpetual Capital Instruments	19	**1,730,075**	1,305,161
Non-controlling interests		**1,591,857**	1,008,383
Total equity		**25,940,249**	22,758,529

		31 December	
	Note	**2016 RMB'000**	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**22,490,090**	16,635,538
Deferred income tax liabilities	22	**4,041,526**	3,685,327
Derivative financial instruments	21	**–**	170,907
		26,531,616	20,491,772
Current liabilities			
Trade and other payables	23	**11,234,343**	9,950,897
Advances from customers		**4,073,472**	4,563,340
Current income tax liabilities	24	**3,701,501**	2,815,776
Borrowings	20	**7,536,083**	6,010,951
Derivative financial instruments	21	**110,255**	70,949
		26,655,654	23,411,913
Total liabilities		**53,187,270**	43,903,685
Total equity and liabilities		**79,127,519**	66,662,214

The financial statements on pages 70 to 166 were approved by the Board of Directors on 20 March 2017 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Note	2016 RMB'000	2015 RMB'000
		Year ended 31 December	
Revenue	5	**14,295,617**	11,907,300
Cost of sales	25	**(9,517,476)**	(7,985,447)
Gross profit		**4,778,141**	3,921,853
Fair value gains on investment properties – net	8	**1,519,884**	1,503,628
Selling and marketing costs	25	**(480,839)**	(486,118)
Administrative expenses	25	**(756,913)**	(735,212)
Other gains/(losses) – net	27	**9,857**	(140,586)
Exchange gains/(losses) – net	28	**2,343**	(9,178)
Operating profit		**5,072,473**	4,054,387
Finance costs – net	29	**(678,968)**	(364,189)
Share of profit of investments accounted for using the equity method	14	**314,295**	157,659
Profit before income tax		**4,707,800**	3,847,857
Income tax expenses	30	**(1,958,596)**	(1,512,768)
Profit for the year		**2,749,204**	2,335,089
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	18	**11,180**	8,549
Total other comprehensive income for the year, net of tax		**11,180**	8,549
Total comprehensive income for the year		**2,760,384**	2,343,638
Profit attributable to:			
Owners of the Company		**2,464,682**	2,071,110
Holders of Perpetual Capital Instruments		**145,765**	153,100
Non-controlling interests		**138,757**	110,879
		2,749,204	2,335,089
Total comprehensive income attributable to:			
Owners of the Company		**2,475,862**	2,079,659
Holders of Perpetual Capital Instruments		**145,765**	153,100
Non-controlling interests		**138,757**	110,879
		2,760,384	2,343,638
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	31		
– Basic		**62.321**	52.408
– Diluted		**62.220**	52.319

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2016							
Balance at 1 January 2016	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529
Comprehensive income:							
Profit for the year	–	–	2,464,682	2,464,682	145,765	138,757	2,749,204
Other comprehensive income for the year	–	11,180	–	11,180	–	–	11,180
Total comprehensive income for the year	–	11,180	2,464,682	2,475,862	145,765	138,757	2,760,384
Transactions with owners:							
Dividends	(305,376)	–	–	(305,376)	–	(17,649)	(323,025)
Pre-IPO Share Option Scheme – Expiry of share option	–	(7,734)	7,734	–	–	–	–
Share Award Scheme:							
– Value of employee services	–	2,778	–	2,778	–	–	2,778
– Vesting of awarded shares	8,726	(8,726)	–	–	–	–	–
Issuance of Perpetual Capital Instruments	–	–	–	–	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(600,000)	–	(600,000)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(120,851)	–	(120,851)
Capital contribution from non-controlling interests	–	–	–	–	–	462,366	462,366
Disposal of available-for-sale financial assets	–	68	–	68	–	–	68
Total transactions with owners	(296,650)	(13,614)	7,734	(302,530)	279,149	444,717	421,336
Appropriation to statutory reserves	–	948	(948)	–	–	–	–
Balance at 31 December 2016	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 19)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2015							
Balance at 1 January 2015	2,979,696	664,827	14,965,316	18,609,839	1,302,139	697,504	20,609,482
Comprehensive income:							
Profit for the year	–	–	2,071,110	2,071,110	153,100	110,879	2,335,089
Other comprehensive income for the year	–	8,549	–	8,549	–	–	8,549
Total comprehensive income for the year	–	8,549	2,071,110	2,079,659	153,100	110,879	2,343,638
Transactions with owners:							
Dividends	–	–	(249,414)	(249,414)	–	–	(249,414)
Pre-IPO Share Option Scheme – Expiry of share option	–	(38,055)	38,055	–	–	–	–
Share Award Scheme – Value of employee services	–	4,901	–	4,901	–	–	4,901
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(150,078)	–	(150,078)
Capital contribution from non-controlling interests	–	–	–	–	–	200,000	200,000
Total transactions with owners	–	(33,154)	(211,359)	(244,513)	(150,078)	200,000	(194,591)
Appropriation to statutory reserves	–	16,164	(16,164)	–	–	–	–
Balance at 31 December 2015	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash generated from operations	33	**3,479,645**	2,753,544
PRC corporate income tax paid		**(443,839)**	(307,506)
PRC land appreciation tax paid		**(301,159)**	(361,408)
Interest paid		**(1,364,745)**	(1,592,152)
Cash generated from operating activities – net		**1,369,902**	492,478
Cash flows from investing activities			
Purchases of property and equipment		**(471,512)**	(337,815)
Purchases of land use rights		**(45,410)**	(259,559)
Payments for construction of investment properties		**(2,413,638)**	(768,375)
Proceeds from disposal of equipment		**409**	161
Purchases of available-for-sale financial assets		**(80,000)**	(307,200)
Prepayments for equity investments		**(724,667)**	(407,880)
Investments in joint ventures and associates		**(370,233)**	–
Proceeds from disposal of investment properties		**24,948**	–
Disposal of available-for-sale financial assets		**16,233**	–
Cash advances made to related parties		**(946,817)**	–
Acquisition of a subsidiary		**–**	(146,997)
Repayments of cash advances by related parties		**–**	10,285
Cash used in investing activities – net		**(5,010,687)**	(2,217,380)
Cash flows from financing activities			
Capital injection by non-controlling interests		**462,366**	200,000
Proceeds from borrowings		**25,684,374**	14,070,423
Repayments of borrowings		**(16,377,590)**	(10,750,772)
Redemption of senior notes		**(2,659,573)**	–
Settlement of derivative financial instruments		**(154,610)**	–
Increase in guarantee deposits		**(55,905)**	(446,136)
Cash advances from related parties		**1,635,540**	1,107,634
Repayments of cash advances to related parties		**(1,527,066)**	(779,246)
Distribution to the holders of Perpetual Capital Instruments		**(120,851)**	(150,078)
Dividends paid to owners of the Company		**(305,376)**	(249,414)
Dividends paid to non-controlling interests		**(17,649)**	–
Redemption of Perpetual Capital Instruments		**(600,000)**	–
Proceeds from issuance of Perpetual Capital Instruments		**1,000,000**	–
Cash generated from financing activities – net		**6,963,660**	3,002,411
Net increase in cash and cash equivalents		**3,322,875**	1,277,509
Cash and cash equivalents at beginning of the year	16	**5,639,843**	4,345,757
Effect of foreign exchange rate changes		**11,086**	16,577
Cash and cash equivalents at end of the year	16	**8,973,804**	5,639,843

The notes on pages 76 to 166 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 20 March 2017.

These financial statements are presented on Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial instruments which are carried at fair value.

The preparation of these consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

(a) *New and amended standards adopted by the Group*

HKFRS 14	Regulatory deferral accounts
Amendment to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendment to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortization
Amendment to HKAS 16 and 41	Agriculture: bearer plants
HKAS 27	Equity method in separate financial statements
Annual improvements 2014	2012-2014 cycle of the annual improvements project
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKAS 1	Disclosure initiative

The adoption of these amendments did not have any significant impact on the current period or prior period and is not likely to affect future periods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) *New and amended standards not yet adopted*

The following new standards and interpretations and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15 (Note (i))	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (i).

(i) *HKFRS 15, 'Revenue from contracts with customers'*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) *New and amended standards not yet adopted (continued)*

(i) *HKFRS 15, 'Revenue from contracts with customers' (continued)*

Rights of return – HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) *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.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 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 investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the statement of comprehensive income.

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 the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "finance costs – net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Exchange gains/(losses) – net".

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the group entities 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property 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
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses) – net" in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.8 Investment property

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as "fair value gains on investment properties – net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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 the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and changed directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.9 Impairment of non-financial assets

Intangible 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.1 Classification (continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise "trade and other receivables", "amounts due from related parties", "restricted cash" and "cash and cash equivalents" in the balance sheet (Note 2.14 and Note 2.15).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated statement of comprehensive income within "Other gains/(losses) – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within "Other gains/(losses) – net".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 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.

2.15 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.17 Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or to pay any distribution are classified as part of equity.

2.18 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 and other 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.

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax is 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 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.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options 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 (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options 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 the income statement, with a corresponding adjustment to equity.

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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings 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 investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns, value added tax and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) ***Sales of properties***

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as "advances from customers" under current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

(b) *Rental income*
Rental income of property leasing under operating leases is recognised on a straight-line basis over the term of the lease.

(c) *Property management*
Revenue arising from property management is recognised in the accounting period in which the services are rendered.

(d) *Hotel operations*
Hotel revenue from room rentals, food and beverage sales and other ancillary services are recognised when the goods are delivered and services are rendered.

(e) *Retail sales*
Commission income from concessionaire sales is recognised upon sales of goods by the relevant stores.

2.25 Interest income

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

2.26 Dividend income

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

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee
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.

The Group is the lessor
When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the owners of the Company 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 owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2016, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, financial assets at fair value through profit or loss, other payables and borrowings, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Financial assets		
– HK$	**161,929**	70,174
– US$	**341,701**	507,771
	503,630	577,945
Financial liabilities		
– HK$	**270,733**	1,272,142
– US$	**3,571,656**	5,297,468
	3,842,389	6,569,610

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (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 financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**5,440**	60,098
– US$	**161,498**	239,485
	166,938	299,583
5% weakened in RMB against the relevant currencies		
– HK$	**(5,440)**	(60,098)
– US$	**(161,498)**	(239,485)
	(166,938)	(299,583)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows 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 and hedging. Based on these scenarios, the Group calculates the impact on profit and 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.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2016, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB7,836,284,000 (2015: RMB8,918,699,000). If interest rates on borrowings at floating rates as at 31 December 2016 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB39,181,000 (2015: RMB44,593,000), most of which have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 11.

For banks and financial institutions, only those with sound credit ratings are accepted. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low.

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 34.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) *Liquidity risk (continued)*

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. Trade and other payables due within 12 months equal their carrying balances, as the impact of discounting is not significant. 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.

	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					
Borrowings (Note a)	9,266,321	6,537,200	14,366,486	5,604,995	35,775,002
Trade and other payables (Note b)	10,790,496	–	–	–	10,790,496
Derivative financial instruments	110,255	–	–	–	110,255
Guarantees for borrowings of joint ventures	2,408,005	–	–	–	2,408,005
Financial guarantee for mortgage loans (Note c)	9,290,180	–	–	–	9,290,180
	31,865,257	6,537,200	14,366,486	5,604,995	58,373,938

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) 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 2015					
Borrowings (Note a)	8,444,943	7,836,811	8,771,097	1,391,511	26,444,362
Trade and other payables (Note b)	9,724,085	–	–	–	9,724,085
Derivative financial instruments	70,949	170,907	–	–	241,856
Guarantees for borrowings of joint ventures	2,275,413	–	–	–	2,275,413
Financial guarantee for mortgage loans (Note c)	8,062,268	–	–	–	8,062,268
	28,577,658	8,007,718	8,771,097	1,391,511	46,747,984

Note:

a. Interest on borrowings is calculated on borrowings held as at 31 December 2016 and 2015. Floating-rate interest is estimated using the current interest rate as at 31 December 2016 and 2015 respectively.

b. It represents payables excluding salaries payables and other taxes payables.

c. The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments (Note 34).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 16) and less guarantee deposits for bank borrowings included in restricted cash (Note 15(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 20). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2016 and 2015 are as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Total borrowings (Note 20)	**30,026,173**	22,646,489
Less: cash and cash equivalents (Note 16)	**(8,973,804)**	(5,639,843)
Less: guarantee deposits for bank borrowings (Note 15(c))	**(637,064)**	(581,159)
Net debt	**20,415,305**	16,425,487
Total equity	**25,940,249**	22,758,529
Total capital	**46,355,554**	39,184,016
Gearing ratio	**44.0%**	41.9%

The increase in the gearing ratio during 2016 resulted primarily from the additional bank and other borrowings.

3.3 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. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016 and 2015. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss	**27,003**	**–**	**–**	**27,003**
Available-for-sale financial assets (Note 13)	**–**	**–**	**413,250**	**413,250**
Total	**27,003**	**–**	**413,250**	**440,253**
Financial liabilities:				
Derivative financial instruments (Note 21)	**–**	**110,255**	**–**	**110,255**
At 31 December 2015				
Financial assets:				
Available-for-sale financial assets (Note 13)	–	–	334,491	334,491
Financial liabilities:				
Derivative financial instruments (Note 21)	–	241,856	–	241,856

There were no transfers between levels during the year.

(a) ***Financial instruments in level 1***

As at 31 December 2016, the fair value of the Group's financial assets at fair value through profit or loss are listed securities in Hong Kong, is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize 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.

(c) Financial instruments in level 3

The fair value of financial instrument included in level 3 is disclosed in Note 13.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these 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) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. 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 year 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.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2016 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2016 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 8.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Sales of properties	**12,530,000**	10,480,514
Rental income of investment properties	**599,626**	552,096
Income of property management services	**791,145**	549,030
Income of other property development related services	**374,846**	325,660
	14,295,617	11,907,300

5 SEGMENT INFORMATION (CONTINUED)

Segment results represent the profit earned by each segment without other losses, unallocated operating costs, finance costs, share of results of associates and joint ventures and income tax expenses. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the year ended 31 December 2016 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	12,530,000	599,626	909,057	374,846	–	14,413,529
Inter-segment revenue	–	–	(117,912)	–	–	(117,912)
Revenue	12,530,000	599,626	791,145	374,846	–	14,295,617
Segment results	3,739,435	1,801,342	42,257	(179,571)	–	5,403,463
Other gains – net						9,857
Share of profit of investments accounted for using the equity method (Note 14)						314,295
Unallocated operating costs						(340,847)
Finance costs – net (Note 29)						(678,968)
Profit before income tax						4,707,800
Income tax expenses						(1,958,596)
Profit for the year						2,749,204
Depreciation (Note 6)	11,926	–	6,813	116,889	–	135,628
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,694	–	22,694
Fair value gains on investment properties – net (Note 8)	–	1,519,884	–	–	–	1,519,884

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items included in the profit for the year ended 31 December 2015 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	10,480,514	552,096	622,067	325,660	–	11,980,337
Inter-segment revenue	–	–	(73,037)	–	–	(73,037)
Revenue	10,480,514	552,096	549,030	325,660	–	11,907,300
Segment results	2,866,922	1,693,231	1,588	(50,983)	–	4,510,758
Other losses – net						(140,586)
Share of profit of investments accounted for using the equity method (Note 14)						157,659
Unallocated operating costs						(315,785)
Finance costs – net (Note 29)						(364,189)
Profit before income tax						3,847,857
Income tax expenses						(1,512,768)
Profit for the year						2,335,089
Depreciation (Note 6)	11,030	–	5,838	116,401	–	133,269
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,853	–	22,853
Fair value gains on investment properties – net (Note 8)	–	1,503,628	–	–	–	1,503,628

5 SEGMENT INFORMATION (CONTINUED)

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2016 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	35,476,783	35,355,917	1,040,771	4,003,672	(3,785,495)	72,091,648
Other assets						7,035,871
Total assets						79,127,519
Segment liabilities	10,265,703	1,517,778	786,456	3,070,223	(3,785,495)	11,854,665
Other liabilities						41,332,605
Total liabilities						53,187,270
Capital expenditure	442,883	2,993,033	4,319	172,026	–	3,612,261
Interests in joint ventures						2,276,948
Interests in associates						328,152

Segment assets, liabilities and interests in joint ventures and an associate as at 31 December 2015 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	30,808,047	29,339,716	769,988	3,824,129	(3,052,907)	61,688,973
Other assets						4,973,241
Total assets						66,662,214
Segment liabilities	9,416,333	1,760,445	785,398	2,350,775	(3,052,907)	11,260,044
Other liabilities						32,643,641
Total liabilities						43,903,685
Capital expenditure	577,015	1,748,318	5,487	266,168	–	2,596,988
Interests in joint ventures						1,488,849
Interests in an associate						35,100

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Segment assets	**72,091,648**	61,688,973
Other assets		
– Prepaid taxes	**418,440**	356,048
– Deferred income tax assets	**359,998**	394,724
– Unallocated cash and cash equivalents and restricted cash	**4,552,227**	3,431,264
– Other receivables from related parties (Note 36(d))	**1,235,468**	288,651
– Unallocated property and equipment	**80,185**	80,692
– Other corporate assets	**6,303**	87,371
– Available-for-sale financial assets (Note 13)	**413,250**	334,491
Total assets	**79,127,519**	66,662,214

Segment liabilities are reconciled to total liabilities as follows:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Segment liabilities	**11,854,665**	11,260,044
Other liabilities		
– Current income tax liabilities	**3,701,501**	2,815,776
– Deferred income tax liabilities	**4,041,526**	3,685,327
– Current borrowings	**7,536,083**	6,010,951
– Non-current borrowings	**22,490,090**	16,635,538
– Other payables to related parties (Note 36(d))	**3,097,696**	2,995,850
– Other corporate liabilities	**465,709**	500,199
Total liabilities	**53,187,270**	43,903,685

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

5 SEGMENT INFORMATION (CONTINUED)

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6), land use rights (Note 7) and investment properties (Note 8).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2016					
Opening net book amount	788,774	1,401,676	18,552	145,662	2,354,664
Additions	500,214	45,435	5,571	28,095	579,315
Transfers	(842,884)	842,884	-	-	-
Disposals	-	-	(88)	(321)	(409)
Depreciation	-	(97,313)	(6,549)	(31,766)	(135,628)
Closing net book amount	446,104	2,192,682	17,486	141,670	2,797,942
At 31 December 2016					
Cost	446,104	2,581,716	80,114	324,219	3,432,153
Accumulated depreciation	-	(389,034)	(62,628)	(182,549)	(634,211)
Net book amount	446,104	2,192,682	17,486	141,670	2,797,942
Year ended 31 December 2015					
Opening net book amount	688,541	1,035,446	20,261	154,418	1,898,666
Additions	480,920	76,848	7,537	24,123	589,428
Transfers	(380,687)	380,687	–	–	–
Disposals	–	–	(8)	(153)	(161)
Depreciation	–	(91,305)	(9,238)	(32,726)	(133,269)
Closing net book amount	788,774	1,401,676	18,552	145,662	2,354,664
At 31 December 2015					
Cost	788,774	1,691,002	74,930	313,013	2,867,719
Accumulated depreciation	–	(289,326)	(56,378)	(167,351)	(513,055)
Net book amount	788,774	1,401,676	18,552	145,662	2,354,664

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of sales	**90,915**	92,071
Selling and marketing costs	**2,651**	2,466
Administrative expenses	**42,062**	38,732
	135,628	133,269

As at 31 December 2016, property and equipment with a net book amount RMB1,252,754,000 (2015: RMB1,210,971,000), were pledged as collateral for the Group's borrowings (Note 20).

Borrowing costs of RMB78,488,000 (2015: RMB136,156,000) have been capitalised in assets under construction for the year ended 31 December 2016.

The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Opening net book amount	**1,033,527**	797,138
Additions	**39,913**	259,242
Amortisation charges	**(22,694)**	(22,853)
Ending net book amount	**1,050,746**	1,033,527

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2016, land use rights of RMB756,337,000 (2015: RMB683,081,000) were pledged as collateral for the Group's borrowings (Note 20).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2016			
At 1 January 2016	**22,286,985**	**6,083,333**	**28,370,318**
Additions	**68,345**	**2,924,688**	**2,993,033**
Transfers	**6,443,960**	**(6,443,960)**	**-**
Transfers from completed properties held for sale	**1,490,279**	**-**	**1,490,279**
Fair value gains – net	**888,266**	**631,618**	**1,519,884**
Disposals	**(20,117)**	**-**	**(20,117)**
	31,157,718	**3,195,679**	**34,353,397**
Year ended 31 December 2015			
At 1 January 2015	19,138,427	5,243,169	24,381,596
Additions	10,602	1,737,716	1,748,318
Transfers	2,783,891	(2,783,891)	–
Transfers from completed properties held for sale	736,776	–	736,776
Fair value (losses)/gains - net	(382,711)	1,886,339	1,503,628
At 31 December 2015	22,286,985	6,083,333	28,370,318

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Rental income (Note 5)	**599,626**	552,096
Direct operating expenses arising from investment properties that generate rental income	**(144,274)**	(124,535)
Direct operating expenses arising from investment properties that do not generate rental income	**(62,614)**	(27,081)

Investment properties as at 31 December 2016 are held in the PRC on leases between 10 to 50 years (2015: same).

Borrowing costs of RMB498,410,000 (2015: RMB406,711,000) have been capitalised in investment properties under construction for the year ended 31 December 2016. The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

As at 31 December 2016, investment properties of RMB18,762,442,000 (2015: RMB18,611,386,000) were pledged as collateral for the Group's borrowings (Note 20).

8 INVESTMENT PROPERTIES (CONTINUED)

Investment properties are mainly shopping malls located in Henan Province, Fujian Province, Shandong Province, Jiangsu Province, Anhui Province, Zhejiang Province, Shanghai, Chongqing and Tianjin. The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2016. The revaluation gains or losses are included in "Fair value gains on investment properties – net" in the statement of comprehensive income.

As at 31 December 2016, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting date.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2016 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	29,404,307	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5%-8%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	70-346	The higher the market rents, the higher the fair value
	Car parks	1,753,411	Direct comparison	Market price (RMB/per car park)	50,000-220,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	3,181,779	Residual method	Market rents (RMB/square meter/ month)	102-157	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m.)	2,536-3,994	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-15%	The higher the developer's profit, the lower the fair value
	Car parks	13,900	Residual method	Market price (RMB/per car park)	43,800-180,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	2,511	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2015 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	21,647,761	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5%-8%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/month)	70-346	The higher the market rents, the higher the fair value
	Car parks	639,224	Direct comparison	Market price (RMB/per car park)	62,000-150,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	6,083,333	Residual method	Market rents (RMB/square meter/ month)	92-210	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-7%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m.)	1,683-3,568	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-20%	The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2016 **RMB'000**	2015 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**2,378,562**	4,613,516
– Interests capitalised	**1,855,739**	2,142,268
– Land use rights	**4,706,070**	6,254,930
	8,940,371	13,010,714
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**1,469,071**	1,081,925
– Between 10 to 50 years	**3,236,999**	5,173,005
	4,706,070	6,254,930

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

As at 31 December 2016, properties under development of approximately RMB3,522,892,000 (2015: RMB3,765,840,000) were pledged as collateral for the Group's borrowings (Note 20).

The capitalisation rate of borrowings for the year ended 31 December 2016 was 5.96% (2015: 7.52%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2016, completed properties held for sale of approximately RMB2,188,895,000 (2015: RMB2,919,939,000) were pledged as collateral for the Group's borrowings (Note 20).

During the year of 2016, completed properties held for sale of approximately RMB1,490,279,000 were transferred to completed investment properties (Note 8).

11 TRADE AND OTHER RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade receivables – third parties (Note (a))	**1,518,093**	1,213,454
Less: provision for impairment of trade receivables (Note (a))	**(20,945)**	(19,165)
Trade receivables – net	**1,497,148**	1,194,289
Deposits for acquisition of land use rights	**514,610**	171,600
Other receivables from:	**2,556,361**	1,026,654
– Related parties (Note 36(d))	**1,235,468**	288,651
– Third parties (Note (c))	**1,320,893**	738,003
	4,568,119	2,392,543

(a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

	31 December 2016 RMB'000	31 December 2015 RMB'000
Not due	**1,466,684**	1,098,078
Overdue	**51,409**	115,376
	1,518,093	1,213,454

The ageing analysis of overdue trade receivables as at 31 December 2016 and 2015 is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 180 days	**28,737**	57,349
180 days to 365 days	**8,093**	43,884
Over 365 days	**14,579**	14,143
	51,409	115,376

As at 31 December 2016, trade receivables of RMB28,550,000 (2015: RMB94,251,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group consider that these past due trade receivables would be recovered and no provision was made.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

As at 31 December 2016, trade receivables of RMB22,859,000 were past due and impaired (2015: RMB21,125,000) and a provision of RMB20,945,000 (2015: RMB19,165,000) has been made. The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**19,165**	26,558
Provision for impairment	**1,824**	8,903
Receivables written off during the year as uncollectible	**(44)**	(16,296)
At 31 December	**20,945**	19,165

(b) As at 31 December 2016 and 2015, the fair value of trade and other receivables approximated their carrying amounts.

(c) Trade and other receivables are interest free. The Group's trade and other receivables are denominated in RMB. Other receivables from third parties mainly consist of the deposits for construction projects and payments on behalf of property owners and tenants. Except for those disclosed in Note 11(a), no material trade and other receivables were impaired or past due as at 31 December 2016 and 2015.

(d) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

12 PREPAYMENTS

	31 December	
	2016 RMB'000	2015 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**1,356,043**	573,494
Construction materials – third parties	**61,156**	98,035
	1,417,199	671,529
Non-current portion		
Investments in property development projects	**724,667**	407,880
	2,141,866	1,079,409

12 PREPAYMENTS (CONTINUED)

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 35(a)).

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Opening amounts as at 1 January	**334,491**	16,042
Additions	**80,000**	307,200
Revaluation gains – net	**14,993**	11,249
Disposals	**(16,234)**	–
Closing amounts as at 31 December	**413,250**	334,491

Available-for-sale financial assets include the following:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (a))	**333,250**	318,000
– Unlisted real estate agency company (Note (b))	**80,000**	–
	413,250	318,000
Current unlisted securities:		
– Unlisted private trust fund denominated in HK$	**–**	16,491
	413,250	334,491

(a) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2016, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

(b) In 2016, the Group invested in an unlisted real estate agency company in the PRC. The investment is denominated in RMB with an initial cost of RMB80,000,000.

These financial assets were not past due or impaired as of 31 December 2016 and 2015.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	31 December	
	2016 RMB'000	2015 RMB'000
Non-current portion:		
Investments in joint ventures	**2,276,948**	1,488,849
Investments in associates	**328,152**	35,100
	2,605,100	1,523,949
Current portion (Note 36(d)):		
Amounts due to joint ventures	**(2,817,951)**	(2,248,992)
Amounts due from joint ventures	**1,082,578**	267,275
Amounts due to associates	**(91,350)**	(32,534)
Amounts due from associates	**131,514**	–
	(1,695,209)	(2,014,251)

Amounts due to associates and joint ventures are unsecured and interest-free.

The profit/(loss) recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Joint ventures (Note (a))	**323,740**	158,738
Associates (Note (b))	**(9,445)**	(1,079)
	314,295	157,659

(a) Joint ventures

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**1,488,849**	1,512,375
Additions	**475,612**	–
Share of profits – net	**323,740**	158,738
Transfer to a subsidiary	**–**	(174,463)
Elimination of unrealised profits	**(11,253)**	(7,801)
At 31 December	**2,276,948**	1,488,849

(i) In 2016, the Group invested in three joint ventures, which are engaged in property development and asset management business. The details of the joint ventures are listed in Note (a)(ii).

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) Nature of investment in the joint ventures 2016 and 2015:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
2016:			
Shanghai Xingwan Real Estate Co., Ltd. 上海興萬置業有限公司	PRC	50%	Equity
Shanghai Hexun Juxin Asset Management Co., Ltd. 上海和訊聚信資產管理有限公司	PRC	50%	Equity
Shanghai Xuting Real Estate Co., Ltd. 上海旭亭置業有限公司	PRC	27%	Equity
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui")* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited ("Shanghai Zhanyao")* 上海寶龍展耀企業發展有限公司	PRC	42%	Equity
2015:			
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司	PRC	65%	Equity
Powerlong Golden Wheel Coral Company Limited* 寶龍金輪珊瑚有限公司	BVI	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited* 寶匯地產(香港)控股有限公司	Hong Kong	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited* 上海寶龍展耀企業發展有限公司	PRC	38%	Equity

* These joint ventures are small private groups, which comprise several subsidiaries.

The joint ventures listed above are private companies and there is no quoted market price available for its shares. Their share capital consisted solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) ***Summarised financial information of the joint ventures***

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method.

Summarised balance sheet

	31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Assets					
Current assets	2,579,428	687,739	3,076,802	4,767,580	11,111,549
Non-current assets	922,999	845,266	360,916	579,770	2,708,951
Total assets	3,502,427	1,533,005	3,437,718	5,347,350	13,820,500
Liabilities					
Current liabilities	(1,703,465)	(1,070,196)	(2,166,477)	(2,073,311)	(7,013,449)
Non-current liabilities	(125,781)	(73,792)	(910,001)	(1,377,558)	(2,487,132)
Total liabilities	(1,829,246)	(1,143,988)	(3,076,478)	(3,450,869)	(9,500,581)
Net assets	1,673,181	389,017	361,240	1,896,481	4,319,919

	31 December 2015		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Assets			
Current assets	3,266,590	4,271,680	7,538,270
Non-current assets	924,872	874,775	1,799,647
Total assets	4,191,462	5,146,455	9,337,917
Liabilities			
Current liabilities	(1,254,293)	(3,642,951)	(4,897,244)
Non-current liabilities	(1,224,927)	(866,345)	(2,091,272)
Total liabilities	(2,479,220)	(4,509,296)	(6,988,516)
Net assets	1,712,242	637,159	2,349,401

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) Summarised financial information for the joint ventures (continued)

Summarised statement of comprehensive income

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Revenue	144,575	1,002,372	1,234,246	307,586	2,688,779
Cost of goods sold	(134,039)	(623,580)	(690,221)	(197,985)	(1,645,825)
Fair value gains from investment properties	–	–	–	149,910	149,910
Interest income	327	–	1,134	913	2,374
(Loss)/profit from continuing operations before tax	(27,495)	354,889	524,360	219,050	1,070,804
Income tax expenses	(11,566)	(156,355)	(224,430)	(80,065)	(472,416)
Post-tax (loss)/profit from continuing operations	(39,061)	198,534	299,930	138,985	598,388
Total comprehensive (loss)/income	(39,061)	198,534	299,930	138,985	598,388

	Year ended 31 December 2015		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Revenue	213,616	-	213,616
Cost of goods sold	(185,739)	-	(185,739)
Fair value gains from investment properties	-	345,418	345,418
Interest income	373	944	1,317
Profit from continuing operations before tax	6,817	270,596	277,413
Income tax income/(expense)	27,742	(77,119)	(49,377)
Post-tax profit from continuing operations	34,559	193,477	228,036
Total comprehensive income	34,559	193,477	228,036

There are no material differences in accounting policies between the Group and joint ventures.

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iv) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures.

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,712,242	190,483	55,180	391,496	2,349,401
Additions	–	–	6,130	1,366,000	1,372,130
(Loss)/profit for the year	(39,061)	198,534	299,930	138,985	598,388
Closing net assets as at 31 December	1,673,181	389,017	361,240	1,896,481	4,319,919
Less:					
– Joint venture partners' interests	(512,211)	(155,607)	(176,818)	(1,152,374)	(1,997,010)
– Elimination of unrealised profits	(22,739)	(17,094)	(1,352)	(4,776)	(45,961)
Interests in joint ventures (carrying value)	1,138,231	216,316	183,070	739,331	2,276,948

	Year ended 31 December 2015		
	Tianjin Jinjun RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,677,683	770,306	2,447,989
Additions	–	–	–
Transfer to a subsidiary	–	(326,624)	(326,624)
Profit for the year	34,559	193,477	228,036
Closing net assets as at 31 December	1,712,242	637,159	2,349,401
Less:			
– Joint venture partners' interests	(527,958)	(297,886)	(825,844)
– Elimination of unrealised profits	(21,458)	(13,250)	(34,708)
Interests in joint ventures (carrying value)	1,162,826	326,023	1,488,849

14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At 1 January	**35,100**	36,179
Additions (Note (i))	**302,497**	–
Share of losses - net	**(9,445)**	(1,079)
At 31 December	**328,152**	35,100

(i) In 2016, the Group invested in two associates which are engaged in property development and investment holding business in Jiangsu and Shanghai.

(ii) Nature of investment in the associates 2016 and 2015

Name of entity	Place of business/ country of incorporation	% of ownership interest	Measurement method
2016:			
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	37%	Equity
Shanghai Zunchang Investment Management Co., Ltd. 上海樽昶投資管理有限公司	PRC	41%	Equity
Suzhou Macalline Real Estate Co., Ltd. ("Suzhou Macalline") 蘇州紅星美凱龍房地產開發有限公司	PRC	41%	Equity
2015:			
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	37%	Equity

15 RESTRICTED CASH

	31 December	
	2016 **RMB'000**	2015 RMB'000
Guarantee deposits for construction projects (Note (a))	**335,170**	115,886
Guarantee deposits for bank acceptance notes (Note (b))	**169,703**	350,212
Guarantee deposits for bank borrowings (Note (c))	**637,064**	581,159
Others	**32,560**	38,632
	1,174,497	1,085,889
Denominated in:		
– RMB	**1,174,431**	1,080,902
– US$	**66**	–
– HK$	**–**	4,987
	1,174,497	1,085,889

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2016, the Group has placed cash deposits of approximately RMB169,703,000 (2015: RMB350,212,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2016, the Group has placed cash deposits of approximately RMB637,064,000 (2015: RMB581,159,000) with designated banks as security for bank borrowings.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

16 CASH AND CASH EQUIVALENTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**8,963,243**	5,113,115
– Denominated in HK$	**3,525**	18,957
– Denominated in US$	**7,036**	507,771
	8,973,804	5,639,843

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:					
As at 1 January 2015					
31 December 2015 and 31 December 2016	30,000,000,000				
Issued and fully paid:					
As at 1 January 2016	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
Dividends	–	–	(305,376)	–	(305,376)
Vested and transferred to eligible employees (Note (a))	–	–	(3,584)	12,310	8,726
As at 31 December 2016	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046

(a) Shares held for Share Award Scheme

On 2 December 2010 (the "Adoption Date"), the Company adopted a share award scheme in which a number of selected employees and directors of the Group are entitled to participate (the "Share Award Scheme"). The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees and directors until they are vested. The Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

On 27 November 2016, the Company resolved to amend the Scheme Rules for the purpose of extending the trust period of Scheme, which shall expire on 2 December 2016. Accordingly, on 2 December 2016, the Company entered into a deed of variation to the Trust Deed with the Trustee to extend the trust period from 2 December 2016 to 31 December 2017.

17 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) Shares held for Share Award Scheme (continued)

Employees and directors are not entitled to dividends on any awarded shares that are not yet transferred to them.

The Board will implement the Share Award Scheme in accordance with the terms of the Share Award Scheme including providing necessary funds to the Share Award Scheme Trust for the purchase of shares up to 2% of the issued share capital of the Company as of the Adoption Date.

During the year ended 31 December 2016, the Shares held for Share Award Scheme transferred 5,830,050 shares of RMB 8,726,000 to the eligible employees upon vesting of the awarded shares. As at 31 December 2016, the Share Award Scheme Trust held 39,549,950 shares of the Company (2015: 45,380,000) (Note 18(d)).

18 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Statutory reserves RMB'000 (Note (b))	Share – based compensation reserve RMB'000 (Note (c) and Note (d))	Revaluation reserves RMB'000 (Note (e))	Transaction with non-controlling interests RMB'000 RMB'000	Total RMB'000 RMB'000
Balance at 1 January 2016	**337,203**	**52,738**	**21,670**	**236,294**	**8,481**	**656,386**
Pre – IPO Share Option Scheme (Note (c))	**–**	**–**	**(7,734)**	**–**	**–**	**(7,734)**
Share Award Scheme – value of employee services (Note (d))	**–**	**–**	**2,778**	**–**	**–**	**2,778**
Share Award Scheme – vesting of awarded shares (Note (d))	**–**	**–**	**(8,726)**	**–**	**–**	**(8,726)**
Revaluation – net of tax	**–**	**–**	**–**	**11,180**	**–**	**11,180**
Appropriation to statutory reserves	**–**	**948**	**–**	**–**	**–**	**948**
Disposal of Available-for-sale financial assets	**–**	**–**	**–**	**68**	**–**	**68**
Balance at 31 December 2016	**337,203**	**53,686**	**7,988**	**247,542**	**8,481**	**654,900**
Balance at 1 January 2015	337,203	36,574	54,824	227,745	8,481	664,827
Pre – IPO Share Option Scheme (Note (c))	–	–	(38,055)	–	–	(38,055)
Share Award Scheme (Note (d))	–	–	4,901	–	–	4,901
Revaluation – net of tax	–	–	–	8,549	–	8,549
Appropriation to statutory reserves	–	16,164	–	–	–	16,164
Balance at 31 December 2015	337,203	52,738	21,670	236,294	8,481	656,386

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

18 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(c) Pre-IPO Share Option Scheme

On 16 September 2009, the Company granted share options to certain employees of the Group under a share option scheme (the "Pre-IPO Share Option Scheme"). The option holders are entitled to acquire an aggregate of 40,000,000 shares of the Company at 10% discount to the offer price of HK$2.75 per share upon the listing date.

Particulars of share options as at 31 December 2016 and 2015 are as follows:

			Number of outstanding shares as at 31 December	
Vesting period	Expiry dates	Exercise price	**2016**	2015
5 years to 16 September 2014	15 September 2016	HK$2.475	–	4,388,000
			–	4,388,000

Movements in the number of share options outstanding are as follows:

	Year ended 31 December	
	2016	2015
At 1 January	**4,388,000**	8,936,000
Expired	**(4,388,000)**	(4,548,000)
At 31 December	–	4,388,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No expense recognised for employee services received in respect of the Pre-IPO Share Option Scheme for the year ended 31 December 2016 (2015: nil).

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the years ended 31 December 2016 and 2015 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2016	**34,334,300**	**11,045,700**
Forfeited	**797,700**	**(797,700)**
Vested and transferred to eligible employees	**–**	**(5,830,050)**
At 31 December 2016	**35,132,000**	**4,417,950**
At 1 January 2015	33,009,300	12,370,700
Forfeited	1,325,000	(1,325,000)
At 31 December 2015	34,334,300	11,045,700

For the shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

The fair value of the awarded shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the awarded shares.

On 6 June 2013, the Company granted an aggregate of 7,502,000 shares to 67 eligible employees and directors pursuant to the Share Award Scheme. On 29 May 2014, the Company granted an aggregate of 8,958,000 shares to 84 eligible employees and directors pursuant to the Share Award Scheme.

During the year ended 31 December 2016, an aggregate of 797,700 granted shares were forfeited due to the resignation of certain eligible employees, 5,830,050 shares were vested and transferred to the eligible employees at nil consideration.

The outstanding awarded shares as at 31 December 2016 were 4,417,950 (2015: 11,045,700).

18 OTHER RESERVES (CONTINUED)

(d) Share Award Scheme (continued)

Particulars of awarded shares as at 31 December 2016 and 2015 are as follows:

Vesting period	Dates of grant	Market price at grant dates HK$/share	Number of outstanding shares as at 31 December 2016	2015
3 years	6 June 2013	1.27	–	2,636,200
4 years	6 June 2013	1.27	2,253,800	2,636,200
2 years	29 May 2014	1.11	–	2,886,650
3 years	29 May 2014	1.11	2,164,150	2,886,650
			4,417,950	11,045,700

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the year ended 31 December 2016 was RMB2,778,000 (2015: RMB4,901,000).

(e) Other comprehensive income

Year ended 31 December 2016	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets		
– gross (Note 13)	14,993	14,993
Tax charge – deferred income tax	(3,813)	(3,813)
Total other comprehensive income – net of tax	11,180	11,180

18 OTHER RESERVES (CONTINUED)

(e) Other comprehensive income (continued)

	Year ended 31 December 2015	
	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:		
Fair value gains on available-for-sale financial assets		
– gross (Note 13)	11,249	11,249
Tax charge – deferred income tax	(2,700)	(2,700)
Total other comprehensive income – net of tax	8,549	8,549

19 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	**Distribution** RMB'000	**Total** RMB'000
Balance as at 1 January 2016	1,300,000	5,161	1,305,161
Issuance of Perpetual Capital Instruments	1,000,000	-	1,000,000
Redemption of Perpetual Capital Instruments	(600,000)	-	(600,000)
Profit attributable to holders of Perpetual Capital Instruments	-	145,765	145,765
Distribution to holders of Perpetual Capital Instruments	-	(120,851)	(120,851)
Balance as at 31 December 2016	1,700,000	30,075	1,730,075

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

20 BORROWINGS

	31 December 2016 RMB'000	2015 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**3,379,254**	5,277,750
– senior notes due September 2021 ("2021 Notes") (Note (a)(i))	**1,364,131**	–
– senior notes due November 2018 ("2018 Notes II") (Note (a)(ii))	**1,379,565**	1,283,462
– senior notes due September 2017 ("2017 Notes") (Note (a)(iii))	**635,558**	1,524,981
– senior notes due January 2018 ("2018 Notes I") (Note (a)(iv))	**–**	1,665,367
– senior notes due May 2016 ("2016 Notes") (Note (a)(v))	**–**	803,940
Corporate bonds (Note (b))	**12,870,865**	993,458
Bank borrowings – secured (Note (c))	**9,242,564**	12,605,732
Other borrowings – secured (Note (d))	**1,750,190**	1,653,074
Less: amounts due within one year	**(4,752,783)**	(3,894,476)
	22,490,090	16,635,538
Borrowings included in current liabilities:		
Bank borrowings	**1,635,100**	2,035,475
– secured (Note (c))	**1,635,100**	2,009,575
– unsecured	**–**	25,900
Other borrowings (Note (d))	**1,148,200**	81,000
– secured	**1,148,200**	60,000
– unsecured	**–**	21,000
Current portion of long-term borrowings	**4,752,783**	3,894,476
	7,536,083	6,010,951
Total borrowings	**30,026,173**	22,646,489

20 BORROWINGS (CONTINUED)

(a) Senior notes

(i) *2021 Notes*

On 15 September 2016, the Company issued 4.875%, 5 years senior notes, with an aggregated nominal value of US$200,000,000 at 99.018% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,006,519 (equivalent to approximately RMB1,304,496,000). The 2021 Notes is denominated in US$.

The 2021 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2016 RMB'000
Fair value at the date of issuance	1,304,496
Interest expenses and amortisation of issuance costs	20,783
Repurchase	(10,154)
Foreign exchange losses – net	49,006
At 31 December	1,364,131

(ii) *2018 Notes II*

On 26 November 2015, the Company issued 7.625%, 3 years senior notes, with an aggregated nominal value of US$200,000,000 at 99.017% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,129,319 (equivalent to approximately RMB1,253,214,000). The 2018 Notes II is denominated in the US$.

The 2018 Notes II recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January at issuance date	1,283,462	1,253,214
Interest expenses and amortisation of issuance costs	105,269	10,068
Repayment of interest	(102,768)	–
Foreign exchange losses – net	93,602	20,180
At 31 December	1,379,565	1,283,462

20 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iii) 2017 Notes and derivative financial instruments

On 18 September 2014, the Company issued 10.75%, 3 years senior notes, with an aggregated nominal value of RMB1,500,000,000 at face value ("2017 RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB1,465,536,000. The 2017 Notes is denominated in RMB.

On 2 November 2016, the Company partially redeemed the 2017 Notes with aggregate principal amounts of approximately RMB879,680,000 at a consideration of approximately RMB928,063,000. The losses of the early redemption of approximately RMB54,750,000 was recognised as "Finance costs – net" in the consolidated statement of comprehensive income (Note 29).

The 2017 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**1,524,981**	1,514,307
Interest expenses and amortisation of issuance costs	**157,241**	171,923
Repayment of interest	**(173,351)**	(161,249)
Early redemption	**(928,063)**	–
Losses of early redemption	**54,750**	–
At 31 December	**635,558**	1,524,981

On the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank. According to the 2017 CCS, the Company exchanged RMB1,500,000,000 with the bank for equivalent US$244,409,000 ("2017 US$ Notional Amounts"). The Company is required to pay interest at 9.5% per annum based on the 2017 US$ Notional Amounts at each interest payment date of 2017 Notes. On maturity of 2017 Notes, the Company is required to deliver the 2017 US$ Notional Amounts to the bank in exchange with the 2017 RMB Notional Amounts. 2017 CCS is not designated as a hedging instrument but a derivative financial instrument and valued at fair value (Note 21).

20 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iv) 2018 Notes I

On 25 January 2013, the Company issued 11.25%, 5 years senior notes, with an aggregated nominal value of US$250,000,000 at 98.608% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$241,670,000 (equivalent to approximately RMB1,524,717,000). The 2018 Notes I is denominated in US$.

On 25 January 2016, the Company early redeemed the outstanding 2018 Notes in full at a redemption price equals to 105.625% of the outstanding principal amount of US$250,000,000 (equivalent to approximately RMB1,639,300,000), plus a premium equivalent to approximately RMB92,211,000, and the accrued and unpaid interest of approximately RMB77,245,000 as of the Redemption Date. The redemption losses of approximately RMB114,734,000 was recognised as "Finance costs – net" in the consolidated statement of comprehensive income (Note 29).

(v) 2016 Notes

On 27 May 2013, the Company issued 9.50%, 3 years senior notes, with an aggregated nominal value of RMB800,000,000 at face value ("RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB787,522,000. The 2016 Notes is denominated in RMB. The 2016 Notes matured on 27 May 2016 and were repaid by the Group on the same date.

(b) Corporate bonds

The corporate bonds recognised in the balance sheet consisted of:

	2016				2015
	Panda bonds Note (i) RMB'000	Asset-backed securities Note (ii) RMB'000	PRC corporate bonds Note (iii) RMB'000	Total RMB'000	Total RMB'000
At 1 January	496,585	–	496,873	993,458	–
Additions	5,470,687	2,137,125	3,954,530	11,562,342	990,288
Interest expenses and amortisation of issuance costs	106,261	38,519	243,285	388,065	3,170
Repayment of interest	(35,500)	–	(37,500)	(73,000)	–
At 31 December	6,038,033	2,175,644	4,657,188	12,870,865	993,458

(i) Panda bonds

On 3 August 2016, the Company issued 5.79% one-year panda bonds and 6.8% two-year corporate bonds with an aggregated principal amount of RMB2,000,000,000 at 100% of the face value.

20 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(i) Panda bonds (continued)

On 24 November 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500,000,000 at 100% of the face value.

(ii) Asset-backed securities

On 8 April 2016, a PRC subsidiary of the Group issued an asset-backed securities ("ABS") in the principal of RMB600,000,000, with a term of 3 years and bearing an interest ranging from 5.30% to 7.00% per annum and the principal is repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB544,000,000.

The ABS was pledged by the Group's rights of receipt of certain rental and property management fees.

On 11 November 2016, a PRC subsidiary of the Group issued another ABS in the principal of RMB1,700,000,000, with a term of 3 years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal is repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000.

The ABS was pledged by the Group's certain investment properties and rights over certain receivables arising from sales of the Group's properties.

(iii) PRC Corporate bonds

On 19 January 2016, a PRC subsidiary of the Group issued 6.20%, three-year PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00%, three-year PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 25 August 2016, a PRC subsidiary of the Group issued 5.25%, two-year PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value.

(c) Bank borrowings – secured

As at 31 December 2016, bank borrowings of RMB10,877,664,000 (2015: RMB14,615,307,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 15); the secured bank borrowings of RMB2,825,495,300 (2015: RMB4,852,785,300) were additionally guaranteed by certain related parties (Note 36(b)(ii)).

20 BORROWINGS (CONTINUED)

(d) Other borrowings – secured

As at 31 December 2016, borrowings from other financial institutions of RMB2,898,390,000 (2015: RMB1,713,074,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	**6–12 months** RMB'000	**1–5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2016	3,271,348	3,605,011	11,763,418	3,850,313	22,490,090
At 31 December 2015	5,080,547	6,470,680	4,954,311	130,000	16,635,538
Borrowings included in current liabilities:					
At 31 December 2016	2,503,342	5,032,741	–	–	7,536,083
At 31 December 2015	3,709,139	2,301,812	–	–	6,010,951

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2016		**31 December 2015**	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes (Note (i))	**1,344,304**	**1,289,699**	–	–
2018 Notes II (Note (i))	**1,369,421**	**1,441,703**	1,273,966	1,294,603
2017 Notes (Note (i))	**–**	**–**	1,479,035	1,489,365
2018 Notes I (Note (ii))	**–**	**–**	1,585,809	1,561,251
Corporate bonds (Note (iii))	**10,226,633**	**10,329,329**	990,393	1,000,000
Bank borrowings (Note (iv))	**7,898,151**	**7,960,850**	10,398,239	10,499,438
Other borrowings (Note (iv))	**1,651,581**	**1,651,581**	908,096	908,096
	22,490,090	**22,673,162**	16,635,538	16,752,753

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2016 and 2015, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

(ii) The fair values were determined directly by references to the price quotations published by the Stock Exchange on 31 December 2016 and 2015, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

20 BORROWINGS (CONTINUED)

(f) (continued)

(iii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2016 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.

(iv) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

(g) The non-current borrowings are repayable as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2016					
1–2 years	**1,369,421**	**726,647**	**1,741,647**	**1,440,865**	**5,278,580**
2–5 years	**1,344,304**	**6,024,674**	**4,719,753**	**210,716**	**12,299,447**
Over 5 years	**–**	**3,475,313**	**1,436,750**	**–**	**4,912,063**
	2,713,725	**10,226,634**	**7,898,150**	**1,651,581**	**22,490,090**
As at 31 December 2015					
1–2 years	1,753,145	72,988	5,217,617	463,766	7,507,516
2–5 years	2,585,666	917,404	4,058,622	444,330	8,006,022
Over 5 years	–	–	1,122,000	–	1,122,000
	4,338,811	990,392	10,398,239	908,096	16,635,538

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2016					
Within 1 year	**635,558**	**445,558**	**2,288,380**	**1,148,200**	**4,517,696**
Between 1 and 2 years	**1,379,565**	**738,257**	**648,831**	**1,408,096**	**4,174,749**
Between 2 and 5 years	**1,364,131**	**8,191,423**	**5,042,704**	**342,094**	**14,940,352**
Over 5 years	**–**	**3,495,627**	**2,897,749**	**–**	**6,393,376**
	3,379,254	**12,870,865**	**10,877,664**	**2,898,390**	**30,026,173**
As at 31 December 2015					
Within 1 year	803,940	–	3,813,768	792,213	5,409,921
Between 1 and 2 years	1,524,981	–	4,103,417	430,000	6,058,398
Between 2 and 5 years	2,948,829	993,458	4,239,022	511,861	8,693,170
Over 5 years	–	–	2,485,000	–	2,485,000
	5,277,750	993,458	14,641,207	1,734,074	22,646,489

20 BORROWINGS (CONTINUED)

(i) The effective interest rates of borrowings are as follows:

	31 December 2016	2015
Senior notes	**9.43%**	11.08%
Corporate bonds	**6.12%**	7.30%
Bank and other borrowings	**5.55%**	6.35%

(j) The carrying amounts of borrowings are denominated in the following currencies:

	31 December 2016 RMB'000	2015 RMB'000
RMB	**26,188,686**	16,491,451
HK$	**265,831**	857,570
US$	**3,571,656**	5,297,468
	30,026,173	22,646,489

(k) As at 31 December 2016 and 2015, the Group had the following undrawn borrowing facilities:

	31 December 2016 RMB'000	2015 RMB'000
Floating rate:		
– expiring within 1 year	**356,000**	–
– expiring beyond 1 year	**2,195,215**	525,000
Fixed rate:		
– expiring within 1 year	**178,500**	–
	2,729,715	525,000

21 DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2016 and 2015, the Group had the following derivative financial instruments:

	31 December 2016 RMB'000	2015 RMB'000
Non-current portion:		
– 2017 CCS as a liability (Note 20(a)(iii))	**–**	170,907
Current portion:		
– 2017 CCS as a liability (Note 20(a)(iii))	**110,255**	–
– 2016 CCS as a liability	**–**	70,949
	110,255	241,856

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2016 RMB'000	2015 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**236,246**	259,035
To be realised within 12 months	**123,752**	135,689
	359,998	394,724
Deferred income tax liabilities to be settled after more than 12 months	**(4,041,526)**	(3,685,327)
	(3,681,528)	(3,290,603)

The net movement on the deferred income tax is as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	**(3,290,603)**	(2,934,300)
Tax charged in consolidated income statement (Note 30)	**(387,112)**	(353,603)
Tax charge relating to components of other comprehensive income (Note 18)	**(3,813)**	(2,700)
At 31 December	**(3,681,528)**	(3,290,603)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2016	**258,823**	**212,367**	**471,190**
Tax (charged)/credited to consolidated income statement	**(28,861)**	**6,630**	**(22,231)**
At 31 December 2016	**229,962**	**218,997**	**448,959**
At 1 January 2015	250,684	191,193	441,877
Tax credited to consolidated income statement	8,139	21,174	29,313
At 31 December 2015	258,823	212,367	471,190

22 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2016	**(3,628)**	**(3,677,936)**	**(80,229)**	**(3,761,793)**
Tax charged to consolidated income statement	**(785)**	**(364,096)**	**–**	**(364,881)**
Tax charge relating to components of other comprehensive income	**–**	**–**	**(3,813)**	**(3,813)**
At 31 December 2016	**(4,413)**	**(4,042,032)**	**(84,042)**	**(4,130,487)**
At 1 January 2015	(3,101)	(3,295,547)	(77,529)	(3,376,177)
Tax charged to consolidated income statement	(527)	(382,389)	–	(382,916)
Tax charge relating to components of other comprehensive income	–	–	(2,700)	(2,700)
At 31 December 2015	(3,628)	(3,677,936)	(80,229)	(3,761,793)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB56,501,000 (2015: RMB27,457,000) in respect of losses amounting to RMB226,004,000 (2015: RMB109,826,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB2,034,736,000 (2015: RMB1,734,808,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB22,648,208,000 at 31 December 2016 (2015: RMB19,494,339,000), as the Group does not have a plan to distribute these earnings out of the PRC.

23 TRADE AND OTHER PAYABLES

	31 December	
	2016 RMB'000	2015 RMB'000
Trade payables	**5,511,247**	4,852,330
– Related parties (Note 36(d))	**32,665**	31,859
– Third parties	**5,247,531**	4,249,674
– Notes payable – third parties	**231,051**	570,797
Other payables and accruals	**4,648,449**	4,278,769
– Related parties (Note 36(d))	**3,097,696**	2,995,850
– Third parties	**1,550,753**	1,282,919
Payables for retention fee	**505,615**	370,903
Payables for acquisition of land use rights	**177,189**	282,021
Other taxes payables	**391,843**	166,874
	11,234,343	9,950,897

The ageing analysis of trade payables as at 31 December 2016 and 2015 based on invoice date is as follows:

	31 December	
	2016 RMB'000	2015 RMB'000
Within 90 days	**2,142,205**	1,507,787
Over 90 days and within 180 days	**1,551,329**	2,048,149
Over 180 days and within 365 days	**893,748**	537,941
Over 365 days and within 3 years	**923,965**	758,453
	5,511,247	4,852,330

24 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2016	2015
	RMB'000	RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**1,985,378**	1,658,914
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**104,956**	110,300
– PRC land appreciation tax payable	**1,611,167**	1,046,562
	3,701,501	2,815,776

25 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of properties sold (excluding staff costs)	**8,134,618**	6,489,811
Staff costs (including directors' emoluments) (Note 26)	**843,667**	755,247
Business taxes and other levies (Note (a))	**417,620**	683,069
Advertising costs	**235,576**	269,834
Cost of property management service (excluding staff costs)	**207,036**	159,776
Cost of hotel operations (excluding staff costs)	**201,364**	190,162
Depreciation (Note 6)	**135,628**	133,269
Donations to governmental charity	**70,027**	30,038
Amortisation of land use rights (Note 7)	**22,694**	22,853
Office lease payments	**5,431**	15,466
Auditor's remuneration	**5,696**	5,999
– Audit services	**4,800**	4,300
– Non-audit services	**896**	1,699

(a) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax' (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue of sales of properties, rental and management services of the Group's PRC subsidiaries previously subject to business tax is subject to VAT from 1 May 2016.

26 STAFF COSTS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**690,647**	621,831
Pension costs – statutory pension	**118,139**	96,020
Other staff welfare and benefits	**32,103**	32,495
Value of employee services under Share Award Scheme	**2,778**	4,901
	843,667	755,247

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including two (2015: two) directors whose emoluments are reflected in the analysis presented in Note 39. The aggregate amounts of emoluments of the remaining three (2015: three) individuals during the year are set out below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**1,800**	1,896
Retirement scheme contributions	**249**	217
Housing allowance	**407**	288
Share Award Scheme	**212**	641
	2,668	3,042

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands (in HK$)		
HK$1,000,000 – HK$1,500,000	**3**	3

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

27 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Penalty on cancellation of sales contracts	**30,000**	–
Investment gain from financial instruments	**16,710**	20,092
Gains on disposal of investment properties	**4,831**	–
Fair value losses on derivative financial instruments	**(39,719)**	(160,678)
Losses on financial assets at fair value through profit or loss	**(2,400)**	–
Others	**435**	–
	9,857	(140,586)

28 EXCHANGE GAINS/(LOSSES) – NET

Amount mainly represents the net gain or loss on translation of financial assets and liabilities, which are denominated in foreign currency, into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 29).

29 FINANCE COSTS – NET

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Interest expenses:		
Bank borrowings and other borrowings	**917,523**	1,154,365
Senior notes	**321,463**	447,789
Corporate bonds	**388,065**	298
Less: interest capitalised	**(1,361,824)**	(1,508,424)
	265,227	94,028
Foreign exchange losses on financing activities – net	**316,541**	388,840
Less: capitalised	**(72,284)**	(118,679)
	244,257	270,161
Losses of early redemption of senior notes	**169,484**	–
	678,968	364,189

30 INCOME TAX EXPENSES

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Current income tax:		
PRC corporate income tax	**770,304**	608,909
PRC land appreciation tax ("LAT")	**806,524**	550,256
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**(5,344)**	–
Deferred income tax:		
PRC corporate income tax	**387,112**	353,603
	1,958,596	1,512,768

The tax charge on other comprehensive income has been disclosed in Note 18(e).

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2016 **RMB'000**	2015 RMB'000
Profit before income tax	**4,707,800**	3,847,857
Calculated at applicable corporate income tax rate	**1,382,790**	1,092,702
Effect of expenses not deductible for income tax	**8,797**	20,133
Effect of income not subject to income tax	**(10,466)**	(801)
Share of profit of investments accounted for using the equity method	**(78,574)**	(39,415)
Tax losses for which no deferred income tax asset was recognised	**56,500**	27,457
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(201,631)**	(137,564)
	1,157,416	962,512
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**(5,344)**	–
PRC land appreciation tax	**806,524**	550,256
	1,958,596	1,512,768

30 INCOME TAX EXPENSES (CONTINUED)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the Corporate Income Tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

31 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 for Share Award Scheme (Note 18 (d)).

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**2,464,682**	2,071,110
Weighted average number of ordinary shares in issue (thousand shares)	**3,954,838**	3,951,923
Basic earnings per share (RMB cents per share)	**62.321**	52.408

(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. Awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average num ber of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**2,464,682**	2,071,110
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,961,222**	3,958,607
– Weighted average number of ordinary shares for basic earnings per share (thousand shares)	**3,954,838**	3,951,923
– Adjustment for awarded shares (thousand shares)	**6,384**	6,684
Diluted earnings per share (RMB cents per share)	**62.220**	52.319

32 DIVIDENDS

The Board recommended the payment of a final dividend of HK$16.0 cents (equivalent to RMB14.31 cents based on the exchange rate of 30 December 2016) per ordinary share. Total amount of final dividend would be HK$639,568,000 (equivalent to RMB572,014,000) which is calculated according to the ordinary shares in issue as of 31 December 2016. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 22 May 2017. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Proposed final dividends	**572,014**	301,397

33 CASH GENERATED FROM OPERATIONS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before taxation	**4,707,800**	3,847,857
Adjustments for:		
Depreciation (Note 6)	**135,628**	133,269
Amortisation of land use rights recognised as expense (Note 7)	**22,694**	22,853
Fair value gains on investment properties – net (Note 8)	**(1,519,884)**	(1,503,628)
Share of profit of investments accounted for using the equity method (Note 14)	**(314,295)**	(157,659)
Amortisation of Share Award Scheme (Note 18)	**2,778**	4,901
Other (gains)/losses – net (Note 27)	**(9,857)**	140,586
Finance costs – net (Note 29)	**678,968**	364,189
Effect of foreign exchange rate changes	**(2,343)**	9,178
Changes in operating capital:		
Properties under construction and completed properties held for sale	**1,231,639**	(1,677,776)
Restricted cash	**(32,703)**	(36,066)
Trade and other receivables	**(1,228,759)**	(18,567)
Prepayments	**(672,860)**	457,726
Financial assets at fair value through profit or loss	**(29,403)**	1,500
Trade and other payables	**969,607**	1,243,838
Advances from customers	**(459,365)**	(78,657)
Cash generated from operation	**3,479,645**	2,753,544

34 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December	
	2016 **RMB'000**	2015 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**9,290,180**	8,062,268
Guarantees for borrowings of joint ventures (Note (b))	**1,895,000**	2,158,830
	11,185,180	10,221,098

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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 take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

(b) It represents guarantees provided to joint ventures to obtain borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

35 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2016 **RMB'000**	2015 RMB'000
Contracted but not provided for:		
Properties development activities	**5,432,836**	5,613,503
Acquisition of land use rights	**85,540**	1,016,049
	5,518,376	6,629,552

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2016 **RMB'000**	2015 RMB'000
– Not later than one year	**3,645**	4,152
– Later than one year and not later than two years	**3,005**	2,436
– Later than two years and not later than three years	**424**	1,735
	7,074	8,323

36 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Group (incorporated in Cayman Islands)
The Controlling Shareholders, including Mr. Hoi Kin Hong, Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	Ultimate controlling shareholders of the Company and their close family member, Mr. Hoi Kin Hong, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Wa Fong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Macau Powerlong Group 澳門寶龍集團發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Great Merchant Limited 弘商有限公司	Ultimately controlled by Mr. Hoi Kin Hong
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限公司	Joint venture
Hangzhou Xiaoshan Powerlong Property Co., Ltd. ("Hangzhou Xiaoshan") 杭州蕭山寶龍置業有限公司	Joint venture
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui") 寶匯地產(香港)控股有限公司	Joint venture
Shanghai Xingwan Property Co., Ltd. ("Shanghai Xingwan") 上海興萬置業有限公司	Joint venture
Shanghai Xuting Property Co., Ltd. ("Shanghai Xuting") 上海旭亭置業有限公司	Joint venture
Shanghai Hexun Juxin Asset Management Co., Ltd 上海和訊聚信資產管理有限公司	Joint venture
Shanghai Powerlong Zhanyao Enterprises Development Co., Ltd. ("Shanghai Zhanyao") 上海寶龍展耀企業發展有限公司	Joint venture
Fuyang Powerlong Zhanyao Property Co., Ltd. ("Fuyang Zhanyao") 阜陽寶龍展耀置業有限公司	Joint venture
Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") 寶龍金輪珊瑚有限公司	Joint venture
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate
Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai Zunchang") 上海樽昶投資管理有限公司	Associate
Suzhou Macalline Real Estate Co., Ltd ("Suzhou Macalline") 蘇州紅星美凱龍房地產開發有限公司	Associate

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the year ended 31 December 2016 and 2015, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Sales of Properties:		
– Ms. Wong Lai Chan	**90,046**	–
Rental income from related parties:		
– Fuzhou Powerlong Amusement Management Company Limited	**3,138**	2,939
Property management fee income:		
– Related parties ultimately controlled by Mr. Hoi Kin Hong	**776**	772
Purchase of office equipment and security intelligentisation system services from related parties:		
– Fujian Ping An Security Devices and Network Limited	**52,892**	57,876
– Xiamen Powerlong Information Industry Co., Ltd.	**2,684**	4,064
	55,576	61,940
Hotel accommodation service fee charged by a related party:		
– Macau Powerlong Group	**160**	707
Sales of construction materials to joint ventures:		
– Golden Wheel	**50,892**	14,667
– Tianjin Jinjun	**18,574**	25,888
– Hangzhou Xiaoshan	**17,354**	5,417
	86,820	45,972
Consultation services provided to joint ventures:		
– Hangzhou Xiaoshan	**18,658**	11,928
– Golden Wheel	**4,345**	–
– Shanghai Zhanyao	**2,651**	–
– Tianjin Jinjun	**930**	3,791
	26,584	15,719
Guarantees for borrowings to joint ventures:		
– Shanghai Zhanyao	**910,000**	148,000
– Shanghai Xingwan	**421,000**	–
– Hangzhou Xiaoshan	**420,000**	280,000
– Golden Wheel	**144,000**	632,000
– Tianjin Jinjun	**–**	1,098,830
	1,895,000	2,158,830

The above transactions were charged in accordance with the terms of the underlying agreements.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,825,495,300 at 31 December 2016 (31 December 2015: bank borrowings of RMB4,852,785,300) (Note 20).

(iii) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of business.

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Key management compensation		
– Salaries and other employee benefits	**10,268**	13,339
– Pension costs	**709**	791
	10,977	14,130

(d) Balances with related parties

As at 31 December 2016, the Group had the following material balances with related parties:

	31 December	
	2016 RMB'000	2015 RMB'000
Amounts due from related parties included in other receivables (Note (ii)):		
Amounts due from a related party		
– Powerlong Group Development Co., Ltd.	**21,376**	21,376
Amounts due from joint ventures		
– Shanghai Xingwan	**664,000**	–
– Baohui	**302,164**	267,275
– Shanghai Zhanyao	**110,294**	–
– Golden Wheel	**6,120**	–
	1,082,578	267,275
Amounts due from associates		
– Shanghai Zunchang	**87,500**	–
– Suzhou Macalline	**44,014**	–
	131,514	–
Total amounts due from related parties included in other receivables	**1,235,468**	288,651

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

	31 December 2016 RMB'000	2015 RMB'000
Amounts due to related parties included in trade payables (Note (i)):		
Amounts due to other related parties		
– Fujian Ping An Security Devices and Network Limited	10,597	14,080
– Other related entities ultimately controlled by Mr. Hoi Kin Hong	643	272
	11,240	14,352
Amounts due to joint ventures		
– Golden Wheel	13,970	551
– Tianjin Jinjun	6,281	8,240
– Hangzhou Xiaoshan	1,174	6,216
	21,425	15,007
Amounts due to an associate		
– Quanzhou Shangquan Industrial Development Co., Ltd.	–	2,500
Total amounts due to related parties included in trade payables	32,665	31,859
Amounts due to related parties included in other payables (Note (ii)):		
Amounts due to other related parties and ultimate controlling shareholder		
– Great Merchant Limited	176,486	184,282
– Mr. Hoi Kin Hong	32,900	32,900
– Powerlong Group Development Co., Ltd.	434	514,203
– Fuzhou Powerlong Amusement Management Company Limited	–	446
	209,820	731,831
Amounts due to joint ventures		
– Shanghai Zhanyao	1,170,130	741,786
– Shanghai Xuting	514,031	–
– Hangzhou Xiaoshan	493,083	303,499
– Baohui	208,103	–
– Shanghai Xingwan	200,000	–
– Tianjin Jinjun	189,262	1,106,480
– Golden Wheel	21,917	82,220
	2,796,526	2,233,985
Amounts due to associates		
– Shanghai Zunchang	88,850	–
– Quanzhou Shangquan Industrial Development Co., Ltd.	2,500	30,034
	91,350	30,034
Total amounts due to related parties included in other payables	3,097,696	2,995,850
Amounts due to related parties included in advances from customers (Note (iii)):		
Amounts due to a close family member of ultimate controlling shareholder		
– Ms. Wong Lai Chan	6,628	–

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

(i) Amounts due to related parties included in trade payables are mainly derived from purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are unsecured, interest-free and repayable on demand, which are cash advances in nature.

(iii) Ms. Wong Lai Chan, the spouse of Mr. Hoi Kin Hong, the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group.

(e) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from a director of the Company and entities ultimately controlled by the director are as follows:

	31 December		Maximum amount outstanding for the year ended 31 December	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Related entities ultimately controlled by Mr. Hoi Kin Hong (Note (d))	**21,376**	21,376	**21,376**	21,418

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2016 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	Limited liability company	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 09 March 2011	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	RMB293,833,329	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	Limited liability company	US$199,900,000	100%	–	Property development and property investment in the PRC
東營寶龍房地產開發有限公司 Dongying Powerlong Real Estate Development Co., Ltd	the PRC 14 February 2014	Limited liability company	RMB338,000,000	82%	18%	Property development and property investment in the PRC
無錫寶龍房地產發展有限公司 Wuxi Powerlong Real Estate Development Co., Ltd.	the PRC 01 November 2006	Limited liability company	US$7,750,000	80%	20%	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC
廈門寶龍地產管理有限公司 Xiamen Powerlong Property Management Co., Ltd.	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$50,000	82%	18%	Investment holding in Hong Kong
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	USD87,500,000	82%	18%	Investment holding in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	USD3,000,000	100%	–	Investment holding in the PRC
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB80,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
上海寶龍精駿房地產開發有限公司 Shanghai Powerlong Jingjun Real Estate Development Co., Ltd	the PRC 18 March 2015	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in PRC
上海賢通置業有限公司 Shanghai Xiantong Property Development Co., Ltd.	the PRC 21 February 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 06 June 2012	Limited liability company	RMB281,606,216	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 09 November 2011	Limited liability company	RMB635,112,293	69%	31%	Property development and property investment in the PRC

37 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
煙台寶龍房地產開發有限公司 Yantai Powerlong Real Estate Development Co., Ltd.	the PRC 08 November 2013	Limited liability company	RMB246,824,800	100%	–	Property development and property investment in the PRC
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	Limited liability company	RMB210,167,600	82%	18%	Property development and property investment in the PRC
無錫玉祁寶龍置業有限公司 Wuxi Yuqi Powerlong Property Co., Ltd.	the PRC 27 February 2007	Limited liability company	US$15,000,000	100%	–	Property development and property investment in the PRC
上海寶龍瑞勝房地產開發有限公司 Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd	the PRC 07 March 2014	Limited liability company	RMB180,000,000	82%	18%	Property development and property investment in PRC
永春寶龍房地產開發有限公司 Yongchun Powerlong Real Estate Development Co., Ltd	the PRC 15 January 2014	Limited liability company	RMB150,000,000	42%	58%	Property development and property investment in PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,306,112**	6,303,334
Current assets			
Amounts due from subsidiaries		**8,603,468**	6,450,865
Financial assets at fair value through profit or loss		**27,003**	–
Restricted cash		**70**	12,042
Cash and cash equivalents		**429,040**	452,102
		9,059,581	6,915,009
Total assets		**15,365,693**	13,218,343
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**2,683,046**	2,979,696
Other reserves	(a)	**7,988**	21,670
Accumulated Losses	(a)	**(271,818)**	(72,920)
Total equity		**2,419,216**	2,928,446
LIABILITIES			
Non-current liabilities			
Borrowings		**8,078,292**	5,582,381
Derivative financial instruments		**–**	170,907
		8,078,292	5,753,288
Current liabilities			
Other payables and accruals		**273,010**	53,899
Amounts due to subsidiaries		**98,943**	102,352
Borrowings		**4,385,977**	4,309,409
Derivative financial instruments		**110,255**	70,949
		4,868,185	4,536,609
Total liabilities		**12,946,477**	10,289,897
Total equity and liabilities		**15,365,693**	13,218,343

The balance sheet of the Company was approved by the Board of Directors on 20 March 2017 and was signed on its behalf.

Hoi Kin Hong	**Hoi Wa Fong**
Director	*Director*

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Accumulated losses RMB'000	Other reserves RMB'000
At 1 January 2015	300,200	54,824
Loss for the year	(158,897)	–
Pre-IPO Share Option Scheme	38,055	(38,055)
Share Award Scheme	–	4,901
Dividends	(252,278)	–
As at 31 December 2015	(72,920)	21,670
At 1 January 2016	**(72,920)**	**21,670**
Loss for the year	**(206,632)**	**–**
Pre-IPO Share Option Scheme	**7,734**	**(7,734)**
Share Award Scheme	**–**	**(5,948)**
Dividends	**–**	**–**
As at 31 December 2016	**(271,818)**	**7,988**

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2016 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	99	1,059
Mr. Hoi Wa Fong	480	14	240	–	–	80	814
Mr. Xiao Qing Ping	480	22	240	114	–	85	941
Ms. Shih Sze Ni	360	14	240	40	–	52	706
Mr. Zhang Hong Feng	480	83	240	–	–	19	822
Non-executive directors							
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	192	–	–	–	192
Mr. Mei Jian Ping	–	–	192	–	–	–	192
Mr. Ding Zu Yu	–	–	192	–	–	–	192
	2,520	133	1,920	154	–	335	5,062

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2015 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowances and benefits RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	293	1,253
Mr. Hoi Wa Fong	480	–	240	–	–	234	954
Mr. Xiao Qing Ping	480	21	240	116	–	242	1,099
Ms. Shih Sze Ni	360	–	240	–	–	150	750
Mr. Zhang Hong Feng	650	80	50	98	–	55	933
Mr. Guo Jun	258	46	180	63	–	–	547
Non-executive directors							
Ms. Hoi Wa Fan	–	–	146	–	–	–	146
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	195	–	–	–	195
Mr. Mei Jian Ping	–	–	195	–	–	–	195
Mr. Ding Zu Yu	–	–	195	–	–	–	195
	2,948	147	1,921	277	–	974	6,267

Note:

(i) Emoluments above include estimated money value of non-cash benefits: share options, car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2016 (2015: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2016, the Group did not pay consideration to any third parties for making available directors' services (2015: nil).

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the company or subsidiary undertaking of the company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the holding company of the company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2016:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		
At 31 December 2015:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest-free and repayable on demand	nil
Fuzhou Powerlong Amusement Management Company Limited	Ultimately controlled by Mr. Hoi	–	42	–	42	–	–	Unsecured, interest-free and repayable on demand	nil
Total		21,376	21,418	21,376	21,418				

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40 EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the balance sheet date.

羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 170, which comprise:

- the consolidated balance sheet 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 statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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.

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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.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2017, the Group's investment properties amounted to RMB39.2 billion, which represents 41% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2017 amounted to RMB2.1 billion. Independent external valuations were obtained for the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete. We paid significant attention to this area due to the material balance and fair value gain of investment properties to the consolidated financial statements of the Group and there is critical judgement involved in determining the critical assumptions and estimates used in the valuations.	Our procedures in relation to management's valuation of investment properties included: (i) We evaluated the competence, capabilities and objectivity of the independent external valuer; (ii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (iii) We checked the accuracy and relevance of the input data used in the valuations; (iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date. We found the key assumptions and estimates used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Balance Sheet

	Note	31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**3,528,545**	2,797,942
Land use rights	7	**1,059,237**	1,050,746
Investment properties	8	**39,217,669**	34,353,397
Investments accounted for using the equity method	15	**4,187,143**	2,605,100
Deferred income tax assets	23	**367,842**	359,998
Available-for-sale financial assets	13	**462,507**	413,250
Prepayments	12	**1,207,135**	724,667
		50,030,078	42,305,100
Current assets			
Properties under development	9	**10,344,885**	8,940,371
Completed properties held for sale	10	**10,416,531**	11,302,986
Trade and other receivables	11	**10,193,184**	4,568,119
Prepayments	12	**4,149,405**	1,417,199
Prepaid taxes		**365,417**	418,440
Financial assets at fair value through profit or loss	14	**28,953**	27,003
Restricted cash	17	**575,538**	1,174,497
Cash and cash equivalents	18	**9,386,757**	8,973,804
		45,460,670	36,822,419
Total assets		**95,490,748**	79,127,519
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	19	**2,066,162**	2,683,046
Other reserves	20	**656,982**	654,900
Retained earnings		**22,614,113**	19,280,371
		25,337,257	22,618,317
Perpetual Capital Instruments	21	**1,722,363**	1,730,075
Non-controlling interests		**2,414,569**	1,591,857
Total equity		**29,474,189**	25,940,249

	Note	31 December 2017 RMB'000	2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**25,780,008**	22,490,090
Deferred income tax liabilities	23	**4,733,771**	4,041,526
		30,513,779	26,531,616
Current liabilities			
Trade and other payables	24	**17,208,103**	11,234,343
Advances from customers		**3,818,693**	4,073,472
Current income tax liabilities	25	**4,720,124**	3,701,501
Borrowings	22	**9,755,860**	7,536,083
Derivative financial instruments		**–**	110,255
		35,502,780	26,655,654
Total liabilities		**66,016,559**	53,187,270
Total equity and liabilities		**95,490,748**	79,127,519

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 68 to 170 were approved by the Board of Directors on 26 March 2018 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

Consolidated Statement Of Comprehensive Income

	Note	2017 RMB'000	2016 RMB'000
		Year ended 31 December	
Revenue	5	**15,592,641**	14,295,617
Cost of sales	26	**(10,367,557)**	(9,517,476)
Gross profit		**5,225,084**	4,778,141
Fair value gains on investment properties – net	8	**2,135,356**	1,519,884
Selling and marketing costs	26	**(500,091)**	(480,839)
Administrative expenses	26	**(895,081)**	(756,913)
Other income and gains – net	28	**561,565**	9,857
Exchange (losses)/gains – net	29	**(3,391)**	2,343
Operating profit		**6,523,442**	5,072,473
Finance costs – net	30	**(572,618)**	(678,968)
Share of profit of investments accounted for using the equity method	15	**197,359**	314,295
Profit before income tax		**6,148,183**	4,707,800
Income tax expenses	31	**(2,280,440)**	(1,958,596)
Profit for the year		**3,867,743**	2,749,204
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	20	**30,193**	11,180
Currency translation differences	20	**(16,258)**	–
Total other comprehensive income for the year, net of tax		**13,935**	11,180
Total comprehensive income for the year		**3,881,678**	2,760,384
Profit attributable to:			
Owners of the Company		**3,336,752**	2,464,682
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,867,743	2,749,204
Total comprehensive income attributable to:			
Owners of the Company		**3,350,687**	2,475,862
Holders of Perpetual Capital Instruments		**117,017**	145,765
Non-controlling interests		**413,974**	138,757
		3,881,678	2,760,384
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	32		
– Basic		**84.108**	62.321
– Diluted		**84.064**	62.220

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 21)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2017							
Balance at 1 January 2017	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249
Comprehensive income:							
Profit for the year	–	–	3,336,752	3,336,752	117,017	413,974	3,867,743
Other comprehensive income for the year							
– Change in fair value of available-for-sale financial assets	–	30,193	–	30,193	–	–	30,193
– Currency translation differences	–	(16,258)	–	(16,258)	–	–	(16,258)
Total comprehensive income for the year	–	13,935	3,336,752	3,350,687	117,017	413,974	3,881,678
Transactions with owners:							
Dividends	(735,023)	–	–	(735,023)	–	–	(735,023)
Share Award Scheme:							
– Value of employee services	–	751	–	751	–	–	751
– Transfer of vested shares under Share Award Scheme to the staff	8,739	(8,739)	–	–	–	–	–
– Termination of share award scheme trust	109,400	–	–	109,400	–	–	109,400
Issuance of Perpetual Capital Instruments	–	–	–	–	1,161,500	–	1,161,500
Redemption of Perpetual Capital Instruments	–	–	–	–	(1,171,100)	–	(1,171,100)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(115,129)	–	(115,129)
Capital contribution from non-controlling interests	–	–	–	–	–	238,300	238,300
Acquisition of subsidiaries (note 40)	–	–	–	–	–	39,993	39,993
Change from joint ventures to subsidiaries (note 41)	–	–	–	–	–	568,772	568,772
Disposal of a subsidiary	–	–	–	–	–	(48,214)	(48,214)
Changes in ownership interests in subsidiaries without change of control (note 39)	–	(6,875)	–	(6,875)	–	(390,113)	(396,988)
Total transactions with owners	(616,884)	(14,863)	–	(631,747)	(124,729)	408,738	(347,738)
Appropriation to statutory reserves	–	3,010	(3,010)	–	–	–	–
Balance at 31 December 2017	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 19)	Other reserves RMB'000 (Note 20)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 21)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2016							
Balance at 1 January 2016	2,979,696	656,386	16,808,903	20,444,985	1,305,161	1,008,383	22,758,529
Comprehensive income:							
Profit for the year	–	–	2,464,682	2,464,682	145,765	138,757	2,749,204
Other comprehensive income for the year	–	11,180	–	11,180	–	–	11,180
Total comprehensive income for the year	–	11,180	2,464,682	2,475,862	145,765	138,757	2,760,384
Transactions with owners:							
Dividends	(305,376)	–	–	(305,376)	–	(17,649)	(323,025)
Pre-IPO Share Option Scheme							
– Expiry of share option	–	(7,734)	7,734	–	–	–	–
Share Award Scheme:							
– Value of employee services	–	2,778	–	2,778	–	–	2,778
– Transfer of vested shares under Share Award Scheme to the staff	8,726	(8,726)	–	–	–	–	–
Issuance of Perpetual Capital Instruments	–	–	–	–	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(600,000)	–	(600,000)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(120,851)	–	(120,851)
Capital contribution from non-controlling interests	–	–	–	–	–	462,366	462,366
Disposal of available-for-sale financial assets	–	68	–	68	–	–	68
Total transactions with owners	(296,650)	(13,614)	7,734	(302,530)	279,149	444,717	421,336
Appropriation to statutory reserves	–	948	(948)	–	–	–	–
Balance at 31 December 2016	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

Consolidated Statement Of Cash Flows

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**4,304,111**	3,479,645
PRC corporate income tax paid		**(657,556)**	(443,839)
PRC land appreciation tax paid		**(374,807)**	(301,159)
Interest paid		**(1,951,827)**	(1,364,745)
Cash generated from operating activities – net		**1,319,921**	1,369,902
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		**99,984**	–
Net cash outflow in disposal of a subsidiary		**(2,283)**	–
Purchases of property and equipment		**(516,009)**	(471,512)
Purchases of land use rights		**(3,439)**	(45,410)
Payments for construction of investment properties		**(1,217,105)**	(2,413,638)
Proceeds from disposal of equipment		**278**	409
Purchases of available-for-sale financial assets		**(9,000)**	(80,000)
Prepayments for equity investments		**(1,207,135)**	(724,667)
Investments in joint ventures and associates		**(759,635)**	(370,233)
Proceeds from disposal of investment properties		**45,713**	24,948
Disposal of available-for-sale financial assets		**–**	16,233
Cash advances made to related parties		**(5,563,774)**	(946,817)
Collection of cash advances from related parties		**783,385**	–
Proceeds from disposal of a joint venture		**1,520**	–
Dividend received from financial assets at fair value through profit or loss		**1,949**	–
Interest received		**158,931**	–
Cash used in investing activities – net		**(8,186,620)**	(5,010,687)
Cash flows from financing activities			
Capital contribution from non-controlling interests		**238,300**	462,366
Proceeds from borrowings		**13,479,974**	12,817,536
Repayments of borrowings		**(9,608,587)**	(16,377,590)
Proceeds from corporate bonds		**994,340**	11,562,342
Repayments of corporate bonds		**(2,039,455)**	–
Proceeds from senior notes		**2,998,395**	1,304,496
Redemption of senior notes		**(752,049)**	(2,659,573)
Settlement of derivative financial instruments		**(38,480)**	(154,610)
Termination of share award scheme		**109,400**	–
Restricted cash released from/(pledged for) borrowings		**325,064**	(55,905)
Cash advances from related parties		**3,300,391**	1,635,540
Repayments of cash advances to related parties		**(657,952)**	(1,527,066)
Distribution to holders of Perpetual Capital Instruments		**(115,129)**	(120,851)
Dividends paid to owners of the Company		**(735,023)**	(305,376)
Dividends paid to non-controlling interests		**–**	(17,649)
Changes in ownership interests in subsidiaries without change of control		**(200,000)**	–
Redemption of Perpetual Capital Instruments		**(1,171,100)**	(600,000)
Proceeds from issuance of Perpetual Capital Instruments		**1,161,500**	1,000,000
Cash generated from financing activities – net		**7,289,589**	6,963,660
Net increase in cash and cash equivalents		**422,890**	3,322,875
Cash and cash equivalents at beginning of the year	16	**8,973,804**	5,639,843
Effect of foreign exchange rate changes		**(9,937)**	11,086
Cash and cash equivalents at end of the year	16	**9,386,757**	8,973,804

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management, and other property development related services in the People's Republic of China (the "PRC").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 26 March 2018.

These financial statements are presented on Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) ***Compliance with HKFRS and HKCO***

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) ***Historical cost convention***

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss, investment properties and derivative financial instruments which are carried at fair value.

(iii) ***New and amended standards adopted by the Group***

Amendments to HKAS 12	Income taxes
Amendments to HKAS 7	Statement of cash flows
Amendments to HKFRS 12	Disclosure of interest in other entities

The adoption of these amendments did not have any significant impact on the current period or prior period and is not likely to affect future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see note 34(b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted

The following new standards and interpretations and amendments to standards have been published that are not mandatory for the year ended 31 December 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance contracts applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts	1 January 2018
Amendments to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 9 (Note (a))	Financial instruments	1 January 2018
HKFRS 15 (Note (b))	Revenue from contracts with customers	1 January 2018
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16 (Note (c))	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendment to HKAS 10 and 28	Sale or contribution of assets between an investor and its associate or joint venture	Deferred

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note (b).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(a) HKFRS 9, 'Financial instruments'

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

While the Group has yet to undertake a detailed assessment, the majority of the Group's equity instruments that are currently classified as available-for-sale (AFS) would appear to satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. And the Group expects that its financial assets currently measured at amortised cost and fair value through profit or loss will continue with their respective classification and measurements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(b) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time. Control of the properties under development is transferred over time if 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.

- When control of the property 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 completed property.

- The progress towards complete satisfaction of the performance obligation is measured based on the property development costs incurred as a percentage of total estimated costs for complete satisfaction as allocated to the contract.

- Revenue for certain pre-sale properties contracts will be changed and recognised earlier over the period of time, instead of at a single point in time under the current accounting policy.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties is transferred, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(b) HKFRS 15, 'Revenue from contracts with customers' (continued)

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financial component exists in that contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represents separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which does not represent fair value of good or service provided by the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expense off in profit and loss directly, will be eligible for capitalisation under HKFRS 15 and match with revenue recognition pattern of related contract in the future.

The Group intends to adopt the standard on all uncompleted contracts as at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

The Group estimates the overall impact of the above is an increase of the Group's retained earnings on 1 January 2018, and a corresponding increase in current asset and deferred tax liability and a decrease in the current liability as at 1 January 2018.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next few months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

(c) HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. Management expects there will be no significant impact on the Group's financial statements when it becomes effective as the Group does not have material lease arrangements as lessee.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations (continued)*

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) *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.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 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 after initially being recognised at cost. 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 investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the 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 profit of investments accounted for using equity method' in the statement of comprehensive income.

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 the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Exchange (losses)/gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the group entities 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property 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
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 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 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

2.8 Investment property

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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 the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.9 Impairment of non-financial assets

Intangible 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.1 Classification (continued)

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise 'trade and other receivables', 'amounts due from related parties', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (Note 2.14 and Note 2.15).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Derivatives*

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'Other income and gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement (continued)

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'Other income and gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2.14 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.

2.15 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.17 Perpetual capital instruments

Perpetual capital instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.18 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 and other 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.

2.19 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowings and borrowing costs (continued)

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Current and deferred income tax (continued)

(b) *Deferred income tax (continued)*

Outside basis differences

Deferred income tax is 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 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.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (continued)

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.22 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options 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 (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options 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 the income statement, with a corresponding adjustment to equity.

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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings 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 investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sales of properties and services income, stated net of discounts returns, value added tax and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probably that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, type of transaction and the specifics of each arrangement.

(a) ***Sales of properties***

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as "advances from customers" under current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Revenue recognition (continued)

(b) *Rental income*

Rental income of property leasing under operating leases is recognised on a straight-line basis over the term of the lease.

(c) *Property management*

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

(d) *Hotel operations*

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

2.25 Interest income

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

2.26 Dividend income

Dividends are recognised when the right to receive payment is established.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee other than operating lease of 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.

The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.28 Dividend distribution

Dividend distribution to the owners of the Company 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 owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 Financial Instrument: Recognition and Measurement are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2017, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, other payables and borrowings, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets		
– HK$	**511,695**	161,929
– US$	**188,933**	341,701
	700,628	503,630
Financial liabilities		
– HK$	**878,556**	270,733
– US$	**7,834,720**	3,571,656
	8,713,276	3,842,389

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (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 financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**18,343**	5,440
– US$	**382,289**	161,498
	400,632	166,938
5% weakened in RMB against the relevant currencies		
– HK$	**(18,343)**	(5,440)
– US$	**(382,289)**	(161,498)
	(400,632)	(166,938)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows interest rate risk.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2017, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB10,318,081,000 (2016: RMB7,836,284,000). If interest rates on borrowings at floating rates as at 31 December 2017 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB51,590,000 (2016: RMB39,181,000), most of which would have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB1,448,000 (2016: increase/decrease by approximately RMB1,350,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB17,344,000 higher/lower (2016: RMB15,497,000 higher/lower).

(b) Credit risk

The Group has no concentrations on credit risk. Cash transactions are limited to high-credit-quality institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance, and guarantees provided to third parties. The Group's exposure to credit risk arising from trade and other receivables is set out in Note 11.

For banks and financial institutions, only those with sound credit ratings are accepted. The receivables from related parties are companies owned by the same ultimate shareholder of the Group of which the possibility of bad debt is low.

For trade receivables arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 35.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet 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.

	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					
Borrowings	**11,853,537**	**13,920,240**	**11,496,790**	**3,294,577**	**40,565,144**
Trade and other payables (Note (a))	**16,575,279**	**–**	**–**	**–**	**16,575,279**
Guarantees for borrowings of joint ventures (Note (b))	**1,519,000**	**–**	**–**	**–**	**1,519,000**
Financial guarantee for mortgage loans	**11,378,429**	**–**	**–**	**–**	**11,378,429**
	41,326,245	**13,920,240**	**11,496,790**	**3,294,577**	**70,037,852**
At 31 December 2016					
Borrowings	9,266,321	6,537,200	14,366,486	5,604,995	35,775,002
Trade and other payables (Note (a))	10,790,496	–	–	–	10,790,496
Derivative financial instruments	110,255	–	–	–	110,255
Guarantees for borrowings of joint ventures (Note (b))	1,895,000	–	–	–	2,408,005
Financial guarantee for mortgage loans	9,290,180	–	–	–	9,290,180
	31,865,257	6,537,200	14,366,486	5,604,995	58,373,938

(a) It represents payables excluding salaries payables and other taxes payables.

(b) It represents the guaranteed principal of borrowings in relation to joint ventures by the Group.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents (Note 18) and less guarantee deposits for bank borrowings included in restricted cash (Note 17(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 22). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2017 and 2016 are as follows:

	31 December	
	2017 RMB'000	2016 RMB'000
Total borrowings (Note 22)	**35,535,868**	30,026,173
Less: cash and cash equivalents (Note 18)	**(9,386,757)**	(8,973,804)
Less: guarantee deposits for bank borrowings (Note 17(c))	**(312,000)**	(637,064)
Net debt	**25,837,111**	20,415,305
Total equity	**29,474,189**	25,940,249
Total capital	**55,311,300**	46,355,554
Gearing ratio	**46.7%**	44.0%

The increase in the gearing ratio during 2017 resulted primarily from the additional bank and other borrowings.

3.3 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. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017 and 2016. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	**28,953**	**–**	**–**	**28,953**
Available-for-sale financial assets (Note 13)	**–**	**–**	**462,507**	**462,507**
Total	**28,953**	**–**	**462,507**	**491,460**
At 31 December 2016				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	27,003	–	–	27,003
Available-for-sale financial assets (Note 13)	–	–	413,250	413,250
Total	27,003	–	413,250	440,253
Financial liabilities:				
Derivative financial instruments	–	110,255	–	110,255

There were no transfers between levels during the year.

(a) Financial instruments in level 1

As at 31 December 2017, the Group's financial assets at fair value through profit or loss are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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.

(c) Financial instruments in level 3

The fair value of financial instrument included in level 3 is disclosed in Note 13.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these 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) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. 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 year 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.

(b) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.8.

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2017 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2017 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 8.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of properties	**13,301,879**	12,530,000
Rental income of investment properties	**856,203**	599,626
Income of property management services	**947,888**	791,145
Income of other property development related services	**486,671**	374,846
	15,592,641	14,295,617

5 SEGMENT INFORMATION (CONTINUED)

Segment results represent the profit earned by each segment without other income and gains-net, unallocated operating costs, finance costs-net, share of profit of investments accounted for using the equity method and income tax expenses. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the year ended 31 December 2017 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	13,301,879	856,203	1,032,255	486,671	–	15,677,008
Inter-segment revenue	–	–	(84,367)	–	–	(84,367)
Revenue	13,301,879	856,203	947,888	486,671	–	15,592,641
Segment results	3,943,669	2,510,693	115,438	(102,956)	–	6,466,844
Other income and gains – net						561,565
Share of profit of investments accounted for using the equity method (Note 15)						197,359
Unallocated operating costs						(504,967)
Finance costs – net (Note 30)						(572,618)
Profit before income tax						6,148,183
Income tax expenses						(2,280,440)
Profit for the year						3,867,743
Depreciation (Note 6)	25,745	–	7,367	126,260	–	159,372
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	24,241	–	24,241
Fair value gains on investment properties – net (Note 8)	–	2,135,356	–	–	–	2,135,356

5 SEGMENT INFORMATION (CONTINUED)

The segment results and other segment items included in the profit for the year ended 31 December 2016 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	12,530,000	599,626	909,057	374,846	–	14,413,529
Inter-segment revenue	–	–	(117,912)	–	–	(117,912)
Revenue	12,530,000	599,626	791,145	374,846	–	14,295,617
Segment results	3,739,435	1,801,342	42,257	(179,571)	–	5,403,463
Other income and gains – net						9,857
Share of profit of investments accounted for using the equity method (Note 15)						314,295
Unallocated operating costs						(340,847)
Finance costs – net (Note 30)						(678,968)
Profit before income tax						4,707,800
Income tax expenses						(1,958,596)
Profit for the year						2,749,204
Depreciation (Note 6)	11,926	–	6,813	116,889	–	135,628
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	22,694	–	22,694
Fair value gains on investment properties – net (Note 8)	–	1,519,884	–	–	–	1,519,884

5 SEGMENT INFORMATION (CONTINUED)

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2017 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	41,737,622	40,820,717	1,156,859	4,331,461	(4,567,727)	83,478,932
Other assets						12,011,816
Total assets						95,490,748
Segment liabilities	14,165,947	2,038,247	1,022,212	3,591,986	(4,567,727)	16,250,665
Other liabilities						49,765,894
Total liabilities						66,016,559
Capital expenditure	493,579	1,929,245	33,083	307,145	–	2,763,052
Interests in joint ventures						3,602,736
Interests in associates						584,407

Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2016 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	35,476,783	35,355,917	1,040,771	3,976,669	(3,785,495)	72,064,645
Other assets						7,062,874
Total assets						79,127,519
Segment liabilities	10,265,703	1,517,778	786,456	3,070,223	(3,785,495)	11,854,665
Other liabilities						41,332,605
Total liabilities						53,187,270
Capital expenditure	442,883	2,993,033	4,319	172,026	–	3,612,261
Interests in joint ventures						2,276,948
Interests in associates						328,152

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment assets	**83,478,932**	72,064,645
Other assets		
– Prepaid taxes	**365,417**	418,440
– Deferred income tax assets	**367,842**	359,998
– Unallocated cash and cash equivalents and restricted cash	**4,876,556**	4,522,227
– Other receivables from related parties (Note 37(d))	**5,818,063**	1,235,468
– Unallocated property and equipment	**76,563**	80,185
– Other corporate assets	**15,915**	6,303
– Available-for-sale financial assets (Note 13)	**462,507**	413,250
– Financial assets at fair value through profit or loss	**28,953**	27,003
Total assets	**95,490,748**	79,127,519

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Segment liabilities	**16,250,665**	11,854,665
Other liabilities		
– Current income tax liabilities	**4,720,124**	3,701,501
– Deferred income tax liabilities	**4,733,771**	4,041,526
– Current borrowings	**9,755,860**	7,536,083
– Non-current borrowings	**25,780,008**	22,490,090
– Other payables to related parties (Note 37(d))	**4,508,599**	3,097,696
– Other corporate liabilities	**267,532**	465,709
Total liabilities	**66,016,559**	53,187,270

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6), land use rights (Note 7) and investment properties (Note 8).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2017					
Opening net book amount	**446,104**	**2,192,682**	**17,486**	**141,670**	**2,797,942**
Additions	**778,873**	**9,034**	**7,645**	**34,816**	**830,368**
Consolidations of entities previously held as joint ventures (Note 41)	**59,267**	**–**	**440**	**178**	**59,885**
Transfers	**(453,730)**	**453,730**	**–**	**–**	**–**
Disposals	**–**	**–**	**(13)**	**(265)**	**(278)**
Depreciation	**–**	**(124,395)**	**(7,752)**	**(27,225)**	**(159,372)**
Closing net book amount	**830,514**	**2,531,051**	**17,806**	**149,174**	**3,528,545**
At 31 December 2017					
Cost	**830,514**	**3,044,480**	**86,796**	**357,097**	**4,318,887**
Accumulated depreciation	**–**	**(513,429)**	**(68,990)**	**(207,923)**	**(790,342)**
Net book amount	**830,514**	**2,531,051**	**17,806**	**149,174**	**3,528,545**
Year ended 31 December 2016					
Opening net book amount	788,774	1,401,676	18,552	145,662	2,354,664
Additions	500,214	45,435	5,571	28,095	579,315
Transfers	(842,884)	842,884	–	–	–
Disposals	–	–	(88)	(321)	(409)
Depreciation	–	(97,313)	(6,549)	(31,766)	(135,628)
Closing net book amount	446,104	2,192,682	17,486	141,670	2,797,942
At 31 December 2016					
Cost	446,104	2,581,716	80,114	324,219	3,432,153
Accumulated depreciation	–	(389,034)	(62,628)	(182,549)	(634,211)
Net book amount	446,104	2,192,682	17,486	141,670	2,797,942

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Cost of sales	**109,900**	90,915
Selling and marketing costs	**2,503**	2,651
Administrative expenses	**46,969**	42,062
	159,372	135,628

As at 31 December 2017, property and equipment with a net book amount RMB1,651,966,000 (2016: RMB1,252,754,000) were pledged as collateral for the Group's borrowings (Note 22).

Borrowing costs of RMB80,315,000 (2016: RMB78,488,000) have been capitalised in assets under construction for the year ended 31 December 2017.

The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Opening net book amount	**1,050,746**	1,033,527
Additions	**3,439**	39,913
Consolidations of entities previously held as joint ventures (Note 41)	**29,293**	–
Amortisation charges	**(24,241)**	(22,694)
Ending net book amount	**1,059,237**	1,050,746

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2017, land use rights of RMB624,327,000 (2016: RMB756,337,000) were pledged as collateral for the Group's borrowings (Note 22).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2017			
At 1 January 2017	**31,157,718**	**3,195,679**	**34,353,397**
Additions	**75,981**	**1,853,264**	**1,929,245**
Consolidations of entities previously held as joint ventures (Note 41)	**–**	**709,954**	**709,954**
Transfers	**1,047,474**	**(1,047,474)**	**–**
Transfers from completed properties held for sale	**503,087**	**–**	**503,087**
Fair value gains – net	**1,775,076**	**360,280**	**2,135,356**
Disposals of a subsidiary	**(382,413)**	**–**	**(382,413)**
Disposals	**(30,957)**	**–**	**(30,957)**
At 31 December 2017	**34,145,966**	**5,071,703**	**39,217,669**
Year ended 31 December 2016			
At 1 January 2016	22,286,985	6,083,333	28,370,318
Additions	68,345	2,924,688	2,993,033
Transfers	6,443,960	(6,443,960)	–
Transfers from completed properties held for sale	1,490,279	–	1,490,279
Fair value gains – net	888,266	631,618	1,519,884
Disposals	(20,117)	–	(20,117)
At 31 December 2016	31,157,718	3,195,679	34,353,397

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Rental income (Note 5)	**856,203**	599,626
Direct operating expenses arising from investment properties that generate rental income	**(194,538)**	(144,274)
Direct operating expenses arising from investment properties that do not generate rental income	**(101,549)**	(62,614)

Investment properties as at 31 December 2017 are held in the PRC on leases between 10 to 50 years (2016: same).

Borrowing costs of RMB380,049,000 (2016: RMB498,410,000) have been capitalised in investment properties under construction for the year ended 31 December 2017. The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

As at 31 December 2017, investment properties of RMB23,230,787,000 (2016: RMB18,762,442,000) were pledged as collateral for the Group's borrowings (Note 22).

8 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2017. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2017, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.8).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2017 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2017 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	31,933,640	Term and reversionary method	Term yields	3.5%-6.0%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/ month)	80-303	The higher the market rents, the higher the fair value
	Car parks	2,212,326	Direct comparison	Market price (RMB/per car park)	28,000-330,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	4,861,362	Residual method	Market rents (RMB/square meter/ month)	113-171	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,182-3,219	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value
	Car parks	210,341	Residual method	Market price (RMB/per car park)	34,000-139,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,019-1,280	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2016 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	29,404,307	Term and reversionary method	Term yields	3.5%-7.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5%-8%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/ month)	70-346	The higher the market rents, the higher the fair value
	Car parks	1,753,411	Direct comparison	Market price (RMB/per car park)	50,000-220,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	3,181,779	Residual method	Market rents (RMB/square meter/ month)	102-157	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	2,536-3,994	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-15%	The higher the developer's profit, the lower the fair value
	Car parks	13,900	Residual method	Market price (RMB/per car park)	43,800-180,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	2,511	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

There are inter-relationships between unobservable inputs. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2017 **RMB'000**	2016 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**3,176,356**	2,378,562
– Interests capitalised	**1,788,077**	1,855,739
– Land use rights	**5,380,452**	4,706,070
	10,344,885	8,940,371
Land use rights:		
Outside Hong Kong, held on leases of:		
– Over 50 years	**1,630,565**	1,469,071
– Between 10 to 50 years	**3,749,887**	3,236,999
	5,380,452	4,706,070

The properties under development are all located in the PRC and expected to be completed within an operating cycle, most of which are expected to be completed within 12 months.

As at 31 December 2017, properties under development of approximately RMB4,630,753,000 (2016: RMB3,522,892,000) were pledged as collateral for the Group's borrowings (Note 22).

The capitalisation rate of borrowings for the year ended 31 December 2017 was 5.99% (2016: 5.96%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2017, completed properties held for sale of approximately RMB3,140,347,000 (2016: RMB2,188,895,000) were pledged as collateral for the Group's borrowings (Note 22).

During the year of 2017, completed properties held for sale of approximately RMB503,087,000 (2016: RMB1,490,279,000) were transferred to completed investment properties (Note 8).

11 TRADE AND OTHER RECEIVABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade receivables – third parties (Note (a))	**1,482,931**	1,518,093
Less: provision for impairment of trade receivables (Note (a))	**(25,474)**	(20,945)
Trade receivables – net	**1,457,457**	1,497,148
Deposits for acquisition of land use rights	**138,000**	514,610
Other receivables from:	**8,597,727**	2,556,361
– Related parties (Note 37(d))	**5,818,063**	1,235,468
– Third parties (Note (c))	**2,779,664**	1,320,893
	10,193,184	4,568,119

(a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

	31 December 2017 RMB'000	31 December 2016 RMB'000
Not due	**1,436,905**	1,466,684
Overdue	**46,026**	51,409
	1,482,931	1,518,093

The ageing analysis of overdue trade receivables as at 31 December 2017 and 2016 is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 180 days	**16,203**	28,737
180 days to 365 days	**16,576**	8,093
Over 365 days	**13,247**	14,579
	46,026	51,409

As at 31 December 2017, trade receivables of RMB14,016,000 (2016: RMB28,550,000) were past due but not impaired. As the Group normally holds collateral of the properties before collection of the outstanding balances, the Group consider that these past due trade receivables would be recovered and no provision was made.

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (continued)

As at 31 December 2017, trade receivables of RMB32,010,000 (2016: RMB22,859,000) were past due and impaired with a provision of RMB25,474,000 (2016: RMB20,945,000) having been made. The individually impaired receivables mainly relate to certain lessees of the Group's investment properties, which are in unexpectedly difficult economic situations.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
At 1 January	**20,945**	19,165
Provision for impairment	**4,544**	1,824
Receivables written off during the year as uncollectible	**(15)**	(44)
At 31 December	**25,474**	20,945

(b) As at 31 December 2017 and 2016, the fair value of trade and other receivables approximated their carrying amounts.

(c) The Group's trade and other receivables are mainly denominated in RMB.

Amounts due from the joint ventures of approximately RMB2,100,013,000 bear average interest rate at 6.30% per annum and are repayable according to respective agreements as at 31 December 2017.

Other receivables from third parties mainly consist of deposits for construction projects and amounts due from the other shareholders of certain subsidiaries of the Group for various payments on their behalf. Except for those disclosed in Note 11(a), no material trade and other receivables were impaired or past due as at 31 December 2017 and 2016.

(d) The maximum exposure to credit risk of the trade and other receivables at the reporting date was the carrying value of each class of receivables.

12 PREPAYMENTS

	31 December	
	2017 **RMB'000**	2016 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**4,011,838**	1,356,043
Construction materials – third parties	**137,567**	61,156
	4,149,405	1,417,199
Non-current portion		
Investments in property development projects (Note (b))	**1,207,135**	724,667
	5,356,540	2,141,866

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 36(a)).

(b) Amounts represent prepayments for investments in certain property development projects which are in the progress of set-up.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Opening amounts as at 1 January	**413,250**	334,491
Additions	**9,000**	80,000
Net gains recognised in equity	**40,257**	14,993
Disposals	**–**	(16,234)
Closing amounts as at 31 December	**462,507**	413,250

Available-for-sale financial assets include the following:

	31 December	
	2017 **RMB'000**	2016 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (a))	**333,250**	333,250
– Unlisted real estate agency company (Note (b))	**120,257**	80,000
– Unlisted fund investments	**9,000**	–
	462,507	413,250

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(a) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2017, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

(b) In 2016, the Group invested in an unlisted real estate agency company in the PRC. The investment is denominated in RMB with an initial cost of RMB80,000,000.

The Group measures the fair value of the equity interests in these unlisted securities by using present value techniques of income approach.

The maximum exposure to credit risk at the reporting date is the carrying value of available-for-sale financial assets. There are no commitment or contingent liabilities relating to the Group's interests in these unlisted companies.

These financial assets were not past due or impaired as of 31 December 2017 and 2016.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Opening amounts as at 1 January	**27,003**	–
Additions	**–**	29,403
Fair value gains/(losses)	**15,089**	(2,400)
Disposals	**(13,139)**	–
Closing amounts as at 31 December	**28,953**	27,003

As at 31 December 2017, financial assets at fair value through profit or loss represented the Group's equity investments in certain company listed on Hong Kong Stock Exchange (2016: in certain company listed on Hong Kong Stock Exchange), which are quoted in an active market.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'Fair value gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their quoted prices as of 31 December 2017 and 2016 in active markets.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Non-current portion:		
Investments in joint ventures	**3,602,736**	2,276,948
Investments in associates	**584,407**	328,152
	4,187,143	2,605,100

The profit/(loss) recognised in the statement of comprehensive income are as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Joint ventures (Note (a))	**223,863**	323,740
Associates (Note (b))	**(26,504)**	(9,445)
	197,359	314,295

(a) Joint ventures

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
At 1 January	**2,276,948**	1,488,849
Additions	**1,191,422**	475,612
Additions from consolidation (Note 41)	**278,479**	–
Transfer to a subsidiary (Note 41)	**(306,954)**	–
Disposal	**(2,280)**	–
Currency translation differences	**(16,258)**	–
Share of profits – net	**223,863**	323,740
Elimination of unrealised profits	**(42,484)**	(11,253)
At 31 December	**3,602,736**	2,276,948

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) Nature of investment in the joint ventures 2017 and 2016:

Name of entity	Place of business/ country of incorporation	% of ownership interest 2017	% of ownership interest 2016	Measurement method
Shanghai Xingwan Real Estate Co., Ltd. 上海興萬置業有限公司	PRC	**50%**	50%	Equity
Shanghai Hexun Juxin Asset Management Co., Ltd. (Note (a)) 上海和訊聚信資產管理有限公司	PRC	**Not applicable**	50%	Equity
Shanghai Xuting Real Estate Co., Ltd. (Note (c)) 上海旭亭置業有限公司	PRC	**27%**	27%	Equity
Tianjin Powerlong Jinjun Real Estate Co., Ltd. ("Tianjin Jinjun") 天津寶龍金駿房地產開發有限責任公司(「天津金駿」)	PRC	**65%**	65%	Equity
Powerlong Golden Wheel Coral Company Limited ("Golden Wheel") (Note (b)) 寶龍金輪珊瑚有限公司(「金輪」)	BVI	**51%**	51%	Equity
Baohui Real Estate (Hong Kong) Holdings Limited ("Baohui") (Note (b)) 寶匯地產(香港)控股有限公司(「寶匯」)	Hong Kong	**60%**	60%	Equity
Shanghai Powerlong Zhanyao Enterprises Development Limited ("Shanghai Zhanyao") (Note (d)) 上海寶龍展耀企業發展有限公司(「上海展耀」)	PRC	**Not applicable**	42%	Equity
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. (Note (c)) 寧波寶龍華灃置業發展有限公司	PRC	**41%**	Not applicable	Equity
Hangzhou Donghui Real Estate Co., Ltd. (Note (c)) 杭州東輝置業有限公司	PRC	**41%**	Not applicable	Equity
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	PRC	**50%**	Not applicable	Equity
Jinjiang Ruilong Real Estate Development Co., Ltd. (Note (c)) 晉江市睿龍置業發展有限公司	PRC	**22.5%**	Not applicable	Equity
Tianjin Binhui Real Estate Co., Ltd. (Note (c)) 天津濱輝置業有限公司	PRC	**33%**	Not applicable	Equity

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) Nature of investment in the joint ventures 2017 and 2016 (continued):

Name of entity	Place of business/ country of incorporation	% of ownership interest 2017	% of ownership interest 2016	Measurement method
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	PRC	**50%**	Not applicable	Equity
Tianjin Longfor Ruifeng Real Estate Co., Ltd. (Note (c)) 天津龍湖睿灃置業有限公司	PRC	**12.5%**	Not applicable	Equity
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	PRC	**50%**	Not applicable	Equity
Shanghai Mijie Property Management Co., Ltd. 上海芈杰企業管理有限公司	PRC	**50%**	Not applicable	Equity
Changying Yehai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影椰海(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Yuehai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影粵海(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Nanhai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影南海(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Binhai (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影濱海(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Fuda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影福達(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Xingda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影興達(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Lida (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影利達(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(i) Nature of investment in the joint ventures 2017 and 2016 (continued):

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Changying Changliu (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影長流(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Tongda (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影通達(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
Changying Jindao (Hainan) Real Estate Development Co., Ltd. (Note (e)) 長影金島(海南)房地產開發有限公司	PRC	**51%**	Not applicable	Equity
LS-NJ Port Imperial-PD	US	**49%**	Not applicable	Equity

Note (a): The Group disposed of this joint venture during the year.

Note (b): These joint ventures are small private groups, which comprise several subsidiaries.

Note (c): According to the cooperation agreements with other co-developers or articles of associations, where applicable, the significant decision makings over the relevant activities of these entities require the unanimous consent of the Group, consequently, the Group considers it has joint controls over these entities.

Note (d): Shanghai Zhanyao is owned as to 51% and 49% by a non-wholly owned subsidiary of the Group and other joint venture partner, respectively. As disclosed in Note 41, Shanghai Zhanyao changed from a joint venture to a subsidiary during the year.

Note (e): These ten project companies are owned as to 51% by Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai ZunChang"), which as disclosed in Note 41 had been changed from an associate to a subsidiary of the Company on 1 September 2017.

The joint ventures listed above are private companies and there is no quoted market price available for its shares. Their share capital consisted solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also its principal place of business.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) Summarised financial information of the joint ventures

Set out below are the summarised financial information of the joint ventures which are accounted for using the equity method.

Summarised balance sheet

	31 December 2017				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Golden Wheel RMB'000	Others RMB'000	Total RMB'000
Assets					
Current assets	4,587,017	762,053	641,768	22,958,302	28,949,140
Non-current assets	817,888	878,247	535,310	401,462	2,632,907
Total assets	5,404,905	1,640,300	1,177,078	23,359,764	31,582,047
Liabilities					
Current liabilities	(3,495,972)	(659,729)	(264,858)	(13,379,540)	(17,800,099)
Non-current liabilities	(159,161)	(534,850)	(300,040)	(6,350,420)	(7,344,471)
Total liabilities	(3,655,133)	(1,194,579)	(564,898)	(19,729,960)	(25,144,570)
Net assets	1,749,772	445,721	612,180	3,629,804	6,437,477

	31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Assets					
Current assets	2,579,428	687,739	3,076,802	4,767,580	11,111,549
Non-current assets	922,999	845,266	360,916	579,770	2,708,951
Total assets	3,502,427	1,533,005	3,437,718	5,347,350	13,820,500
Liabilities					
Current liabilities	(1,703,465)	(1,070,196)	(2,166,477)	(2,073,311)	(7,013,449)
Non-current liabilities	(125,781)	(73,792)	(910,001)	(1,377,558)	(2,487,132)
Total liabilities	(1,829,246)	(1,143,988)	(3,076,478)	(3,450,869)	(9,500,581)
Net assets	1,673,181	389,017	361,240	1,896,481	4,319,919

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(ii) *Summarised financial information for the joint ventures (continued)*

Summarised statement of comprehensive income

	Year ended 31 December 2017				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Golden Wheel RMB'000	Others RMB'000	Total RMB'000
Revenue	294,284	212,605	210,910	–	717,799
Cost of goods sold	(175,113)	(88,516)	(118,889)	(45,056)	(427,574)
Fair value gains from investment properties	–	23,124	–	375,122	398,246
Interest income	85	–	412	355	852
Profit from continuing operations before tax	98,225	106,561	74,375	250,546	529,707
Income tax expenses	(21,634)	(49,857)	(20,843)	(66,725)	(159,059)
Post-tax profit from continuing operations	76,591	56,704	53,532	183,821	370,648
Currency translation differences	–	–	–	(33,180)	(33,180)
Total comprehensive income	76,591	56,704	53,532	150,641	337,468

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Revenue	144,575	1,002,372	1,234,246	307,586	2,688,779
Cost of goods sold	(134,039)	(623,580)	(690,221)	(197,985)	(1,645,825)
Fair value gains from investment properties	–	–	–	149,910	149,910
Interest income	327	–	1,134	913	2,374
(Loss)/Profit from continuing operations before tax	(27,495)	354,889	524,360	219,050	1,070,804
Income tax expenses	(11,566)	(156,355)	(224,430)	(80,065)	(472,416)
Post-tax (loss)/profit from continuing operations	(39,061)	198,534	299,930	138,985	598,388
Total comprehensive (loss)/income	(39,061)	198,534	299,930	138,985	598,388

There are no material differences in accounting policies between the Group and joint ventures.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Joint ventures (continued)

(iii) Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of the Group's interests in joint ventures.

	Year ended 31 December 2017				
	Tianjin Jinjun RMB'000	**Baohui RMB'000**	**Golden Wheel RMB'000**	**Others RMB'000**	**Total RMB'000**
Opening net assets as at 1 January	**1,673,181**	**389,017**	**558,648**	**1,699,073**	**4,319,919**
Additions	**–**	**–**	**–**	**2,386,522**	**2,386,522**
Transfer to a subsidiary	**–**	**–**	**–**	**(601,871)**	**(601,871)**
Profit for the year	**76,591**	**56,704**	**53,532**	**183,821**	**370,648**
Currency translation differences	**–**	**–**	**–**	**(33,180)**	**(33,180)**
Disposal	**–**	**–**	**–**	**(4,561)**	**(4,561)**
Closing net assets as at 31 December	**1,749,772**	**445,721**	**612,180**	**3,629,804**	**6,437,477**
Less:					
– Joint venture partners' interests	**(525,839)**	**(178,288)**	**(299,968)**	**(1,763,742)**	**(2,767,837)**
– Elimination of unrealised profits	**(37,452)**	**(17,741)**	**(5,175)**	**(24,767)**	**(85,135)**
– Goodwill	**–**	**–**	**–**	**18,231**	**18,231**
Interests in joint ventures (carrying value)	**1,186,481**	**249,692**	**307,037**	**1,859,526**	**3,602,736**

	Year ended 31 December 2016				
	Tianjin Jinjun RMB'000	Baohui RMB'000	Shanghai Zhanyao RMB'000	Others RMB'000	Total RMB'000
Opening net assets as at 1 January	1,712,242	190,483	55,180	391,496	2,349,401
Additions	–	–	6,130	1,366,000	1,372,130
(Loss)/profit for the year	(39,061)	198,534	299,930	138,985	598,388
Closing net assets as at 31 December	1,673,181	389,017	361,240	1,896,481	4,319,919
Less:					
– Joint venture partners' interests	(512,211)	(155,607)	(176,818)	(1,152,374)	(1,997,010)
– Elimination of unrealised profits	(22,739)	(17,094)	(1,352)	(4,776)	(45,961)
Interests in joint ventures (carrying value)	1,138,231	216,316	183,070	739,331	2,276,948

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
At 1 January	**328,152**	35,100
Additions (Note (i))	**292,880**	302,497
Share of losses – net	**(26,504)**	(9,445)
Transfer to a subsidiary	**(2,482)**	–
Elimination of unrealised profits	**(7,639)**	–
At 31 December	**584,407**	328,152

(i) Nature of investment in the associates 2017 and 2016

Name of entity	Place of business/ country of incorporation	% of ownership interest		Measurement method
		2017	2016	
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	PRC	**37%**	37%	Equity
Shanghai Zunchang Investment Management Co., Ltd. ("Shanghai Zunchang") (Note 41) 上海樽昶投資管理有限公司(「上海樽昶」)	PRC	**Not applicable**	41%	Equity
Suzhou Macalline Real Estate Co., Ltd. 蘇州紅星美凱龍房地產開發有限公司	PRC	**41%**	41%	Equity
Shanghai Hubang Real Estate Co., Ltd. 上海湖邦房地產有限公司	PRC	**50%**	Not applicable	Equity
Suzhou Yiyuan Residential Technology Co., Ltd. 蘇州毅遠住宅科技有限公司	PRC	**14%**	Not applicable	Equity

16 FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated balance sheet

	31 December	
	2017 RMB'000	2016 RMB'000
Loans and receivables:		
Trade and other receivables	**10,193,184**	4,568,119
Restricted cash	**575,538**	1,174,497
Cash and cash equivalents	**9,386,757**	8,973,804
	20,155,479	14,716,420
Financial assets at fair value through profit or loss	**28,953**	27,003
Available-for-sale financial assets	**462,507**	413,250
	20,646,939	15,156,673

Liabilities as per consolidated balance sheet

	31 December	
	2017 RMB'000	2016 RMB'000
Other financial liabilities at amortised cost:		
Borrowings	**35,535,868**	30,026,173
Trade and other payables excluding other taxes and payroll payable	**16,575,279**	10,790,496
	52,111,147	40,816,669
Derivative financial instruments	**–**	110,255
	52,111,147	40,926,924

17 RESTRICTED CASH

	31 December	
	2017 **RMB'000**	2016 RMB'000
Guarantee deposits for construction projects (Note (a))	**210,740**	335,170
Guarantee deposits for bank acceptance notes (Note (b))	**24,482**	169,703
Guarantee deposits for bank borrowings (Note (c))	**312,000**	637,064
Others	**28,316**	32,560
	575,538	1,174,497
Denominated in:		
– RMB	**573,503**	1,174,431
– US$	**1,972**	66
– HK$	**63**	–
	575,538	1,174,497

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2017, the Group has placed cash deposits of approximately RMB24,482,000 (2016: RMB169,703,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2017, the Group has placed cash deposits of approximately RMB312,000,000 (2016: RMB637,064,000) with designated banks as security for bank borrowings.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

18 CASH AND CASH EQUIVALENTS

	31 December	
	2017 RMB'000	2016 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**9,090,038**	8,963,243
– Denominated in HK$	**111,298**	3,525
– Denominated in US$	**185,421**	7,036
	9,386,757	8,973,804

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

19 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:					
As at 1 January 2016 31 December 2016 and 31 December 2017	30,000,000,000				
Issued and fully paid:					
As at 1 January 2017	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046
Dividends (Note 33)	–	–	(735,023)	–	(735,023)
Vested and transferred to eligible employees (Note (a))	–	–	(3,105)	11,844	8,739
Termination of share award scheme (Note (a))	–	–	42,018	67,382	109,400
As at 31 December 2017	3,997,303,000	35,486	2,030,676	–	2,066,162
As at 1 January 2016	3,997,303,000	35,486	3,035,746	(91,536)	2,979,696
Dividends	–	–	(305,376)	–	(305,376)
Vested and transferred to eligible employees (Note (a))	–	–	(3,584)	12,310	8,726
As at 31 December 2016	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046

19 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

(a) Shares held for Share Award Scheme

On 2 December 2010 (the "Adoption Date"), the Company adopted a share award scheme in which a number of selected employees and directors of the Group are entitled to participate (the "Share Award Scheme"). The Group has set up a trust (the "Share Award Scheme Trust") for the purpose of administrating the Share Award Scheme. Under the sole discretion of the Board, the Share Award Scheme Trust will acquire the Company's shares from the Stock Exchange, with a maximum number determined by the Board, and hold the shares granted to the employees but not vested for the employees and directors until they are vested. The Share Award Scheme shall be valid and effective for a term of six years commencing on the Adoption Date.

On 27 November 2016, the Company resolved to amend the Scheme Rules for the purpose of extending the trust period of Scheme, which shall expire on 2 December 2016. Accordingly, on 2 December 2016, the Company entered into a deed of variation to the Trust Deed with the Trustee to extend the trust period from 2 December 2016 to 31 December 2017.

Employees and directors are not entitled to dividends on any awarded shares that are not yet transferred to them.

The Board will implement the Share Award Scheme in accordance with the terms of the Share Award Scheme including providing necessary funds to the Share Award Scheme Trust for the purchase of shares up to 2% of the issued share capital of the Company as of the Adoption Date.

During the year ended 31 December 2017, the Shares held for Share Award Scheme transferred 4,417,950 (2016: 5,830,050) shares of RMB8,739,000 (2016: RMB8,726,000) to the eligible employees upon vesting of the awarded shares (Note 20(c)).

On 26 October 2017, the Company terminated the Share Award Scheme. The remaining 35,132,000 Shares held by the Share Award Scheme Trust was sold on 10 November 2017 with a net proceed of HK$128,727,000, equivalent to RMB109,400,000.

20 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (d))	Statutory reserves RMB'000 (Note (b))	Share – based compensation reserve RMB'000 (Note(c)	Revaluation reserves RMB'000 (Note(d))	Transaction with non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	**337,203**	**–**	**53,686**	**7,988**	**247,542**	**8,481**	**654,900**
Share Award Scheme – value of employee services (Note (c))	**–**	**–**	**–**	**751**	**–**	**–**	**751**
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff (Note (c))	**–**	**–**	**–**	**(8,739)**	**–**	**–**	**(8,739)**
Change in fair value of available-for-sale financial assets, net of tax	**–**	**–**	**–**	**–**	**30,193**	**–**	**30,193**
Appropriation to statutory reserves	**–**	**–**	**3,010**	**–**	**–**	**–**	**3,010**
Changes in ownership interests in subsidiaries without change of control	**–**	**–**	**–**	**–**	**–**	**(6,875)**	**(6,875)**
Currency translation differences	**–**	**(16,258)**	**–**	**–**	**–**	**–**	**(16,258)**
Balance at 31 December 2017	**337,203**	**(16,258)**	**56,696**	**–**	**277,735**	**1,606**	**656,982**
Balance at 1 January 2016	337,203	–	52,738	21,670	236,294	8,481	656,386
Pre – IPO Share Option Scheme expiry	–	–	–	(7,734)	–	–	(7,734)
Share Award Scheme – value of employee services (Note (c))	–	–	–	2,778	–	–	2,778
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff (Note (c))	–	–	–	(8,726)	–	–	(8,726)
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	11,180	–	11,180
Appropriation to statutory reserves	–	–	948	–	–	–	948
Disposal of Available-for-sale financial assets	–	–	–	–	68	–	68
Balance at 31 December 2016	337,203	–	53,686	7,988	247,542	8,481	654,900

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

20 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(c) Share Award Scheme

Movements in the number of shares held for the Share Award Scheme for the years ended 31 December 2017 and 2016 are as follows:

	Not awarded shares held for the Share Award Scheme Trust	Awarded shares held by the Share Award Scheme Trust
At 1 January 2017	**35,132,000**	**4,417,950**
Vested and transferred to eligible employees	**–**	**(4,417,950)**
Termination of Share award scheme (Note 19(a))	**(35,132,000)**	**–**
At 31 December 2017	**–**	**–**
At 1 January 2016	34,334,300	11,045,700
Forfeited	797,700	(797,700)
Vested and transferred to eligible employees	–	(5,830,050)
At 31 December 2016	35,132,000	4,417,950

For the shares granted under the Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognised as an expense and credited to equity over the period in which the vesting conditions are fulfilled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted.

The fair value of the awarded shares was calculated based on market prices of the Company's shares as at the respective grant dates. The expected dividends during the vesting periods have been taken into account when assessing the fair value of the awarded shares.

On 6 June 2013, the Company granted an aggregate of 7,502,000 shares to 67 eligible employees and directors pursuant to the Share Award Scheme. On 29 May 2014, the Company granted an aggregate of 8,958,000 shares to 84 eligible employees and directors pursuant to the Share Award Scheme.

During the year ended 31 December 2017, an aggregate of 4,417,950 shares were vested and transferred to the eligible employees at nil consideration.

The total expense recognised for employee and directors services received in respect of the Share Award Scheme for the year ended 31 December 2017 was RMB751,000 (2016: RMB2,778,000).

20 OTHER RESERVES (CONTINUED)

(d) Other comprehensive income

	Year ended 31 December 2017		
	Other reserves RMB'000	**Revaluation reserves RMB'000**	**Total other comprehensive income RMB'000**
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 13)	**–**	**40,257**	**40,257**
Tax charge – deferred income tax	**–**	**(10,064)**	**(10,064)**
Currency translation differences (Note 15(a))	**(16,258)**	**–**	**(16,258)**
Total other comprehensive income – net of tax	**(16,258)**	**30,193**	**13,935**

	Year ended 31 December 2016		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 13)	–	14,993	14,993
Tax charge – deferred income tax	–	(3,813)	(3,813)
Total other comprehensive income – net of tax	–	11,180	11,180

21 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2017	**1,700,000**	**30,075**	**1,730,075**
Issuance of Perpetual Capital Instruments	**1,161,500**	**–**	**1,161,500**
Redemption of Perpetual Capital Instruments	**(1,171,100)**	**–**	**(1,171,100)**
Profit attributable to holders of Perpetual Capital Instruments	**–**	**117,017**	**117,017**
Distribution to holders of Perpetual Capital Instruments	**–**	**(115,129)**	**(115,129)**
Balance as at 31 December 2017	**1,690,400**	**31,963**	**1,722,363**
Balance as at 1 January 2016	1,300,000	5,161	1,305,161
Issuance of Perpetual Capital Instruments	1,000,000	–	1,000,000
Redemption of Perpetual Capital Instruments	(600,000)	–	(600,000)
Profit attributable to holders of Perpetual Capital Instruments	–	145,765	145,765
Distribution to holders of Perpetual Capital Instruments	–	(120,851)	(120,851)
Balance as at 31 December 2016	1,700,000	30,075	1,730,075

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

22 BORROWINGS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**5,566,933**	3,379,254
– senior notes due September 2021 ("2021 Notes") (Note (a)(i))	**1,285,452**	1,364,131
– senior notes due July 2020 ("2020 Notes") (Note (a)(ii))	**1,975,170**	–
– senior notes due November 2018 ("2018 Notes II") (Note (a)(iii))	**2,306,311**	1,379,565
– senior notes due September 2017 ("2017 Notes") (Note (a)(iv))	**–**	635,558
Corporate bonds (note (b))	**11,546,494**	12,870,865
Bank borrowings (note (c))	**13,421,920**	9,242,564
Other borrowings (note (d))	**2,737,751**	1,750,190
Less: current portion of non-current borrowings	**(7,493,090)**	(4,752,783)
	25,780,008	22,490,090
Borrowings included in current liabilities:		
Bank borrowings (Note (c))	**2,262,770**	1,635,100
Other borrowings (Note (d))	**–**	1,148,200
Current portion of long-term borrowings	**7,493,090**	4,752,783
	9,755,860	7,536,083
Total borrowings	**35,535,868**	30,026,173

(a) Senior notes

(i) 2021 Notes

On 15 September 2016, the Company issued 4.875%, five years senior notes, with an aggregated principal amount of US$200,000,000 at 99.018% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,006,519 (equivalent to approximately RMB1,304,496,000). The 2021 Notes is denominated in US$.

The 2021 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
At 1 January/at issuance date	**1,364,131**	1,304,496
Interest expense and amortisation of issuance costs	**70,446**	20,783
Repayment of interest	**(65,045)**	–
Repurchase	**–**	(10,154)
Foreign exchange (gains)/losses – net	**(84,080)**	49,006
At 31 December	**1,285,452**	1,364,131

22 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(ii) ***2020 Notes***

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US$200,000,000 at 99.191% discount to face value. On 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$100,000,000 at 99.196% discount of the face value. The net proceeds, after deducting the issuance costs, amounted to US$294,698,861 (equivalent to approximately RMB1,987,774,000). The 2020 Notes is denominated in US$.

The 2020 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December 2017 RMB'000
Fair value at the date of issuance	**1,987,774**
Interest expense and amortisation of issuance costs	**59,387**
Foreign exchange gains – net	**(71,991)**
At 31 December	**1,975,170**

(iii) ***2018 Notes II***

On 26 November 2015, the Company issued 7.625%, three years senior notes, with an aggregated principal amount of US$200,000,000 at 99.017% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,129,319 (equivalent to approximately RMB1,253,214,000). On 26 November 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$150,000,000 at 102.278% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$153,417,297 (equivalent to approximately RMB1,010,621,000). The 2018 Notes II is denominated in US$.

The 2018 Notes II recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
At 1 January	**1,379,565**	1,283,462
Addition	**1,010,621**	–
Interest expense and amortisation of issuance costs	**111,035**	105,269
Repayment of interest	**(102,769)**	(102,768)
Foreign exchange (gains)/losses – net	**(92,141)**	93,602
At 31 December	**2,306,311**	1,379,565

22 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iv) 2017 Notes and derivative financial instruments

On 18 September 2014, the Company issued 10.75%, three years senior notes, with an aggregated principal amount of RMB1,500,000,000 at face value ("2017 RMB Notional Amounts"). The net proceeds, after deducting the issuance costs, amounted to RMB1,465,536,000. The 2017 Notes is denominated in RMB.

On the issuance date of 2017 Notes, the Company entered into certain cross currency swaps ("2017 CCS") with a bank, which was designated as a derivative financial instrument.

On 2 November 2016, the Company partially redeemed the 2017 Notes with aggregate principal amounts of approximately RMB879,680,000 at a consideration of approximately RMB928,063,000. The losses of the early redemption of approximately RMB54,750,000 was recognised as "Finance costs – net" in the consolidated statement of comprehensive income.

The 2017 Notes and 2017 CCS matured on 18 September 2017 and were repaid by the Group on the same date.

The above senior notes are guaranteed by certain subsidiaries and non-PRC joint ventures and secured by pledges of the shares of these subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

The corporate bonds recognised in the balance sheet consisted of:

	Year ended 31 December 2017				Year ended 31 December 2016
	Panda bonds Note (i) RMB'000	Asset-backed securities Note (ii) RMB'000	PRC corporate bonds Note (iii) RMB'000	Total RMB'000	Total RMB'000
At 1 January	6,038,033	2,175,644	4,657,188	12,870,865	993,458
Additions	–	–	994,340	994,340	11,562,342
Interest expense and amortisation of issuance costs	328,728	109,043	325,578	763,349	388,065
Repayment of principal	(1,899,807)	(139,611)	(37)	(2,039,455)	–
Repayment of interest	(354,730)	(410,975)	(276,900)	(1,042,605)	(73,000)
At 31 December	4,112,224	1,734,101	5,700,169	11,546,494	12,870,865

(i) Panda bonds

On 3 August 2016, the Company issued 5.79% one-year panda bonds and 6.8% two-year corporate bonds with an aggregated principal amount of RMB2,000,000,000 at 100% of the face value.

On 24 November 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500,000,000 at 100% of the face value.

22 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(ii) Asset-backed securities

On 8 April 2016, a PRC subsidiary of the Group issued an asset-backed securities ("ABS") in the principal amount of RMB600,000,000, with a term of three years and bearing an interest ranging from 5.30% to 7.00% per annum and the principal is repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB544,000,000.

The ABS was pledged by the Group's rights of receipt of certain rental and property management fees.

On 11 November 2016, a PRC subsidiary of the Group issued another ABS in the principal amount of RMB1,700,000,000, with a term of three years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal is repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000.

The ABS was pledged by the Group's certain investment properties and rights over certain receivables arising from sales of the Group's properties.

(iii) PRC Corporate bonds

On 19 January 2016, a PRC subsidiary of the Group issued 6.20%, three-year PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00%, three-year PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 25 August 2016, a PRC subsidiary of the Group issued 5.25%, two-year PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value.

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

(c) Bank borrowings

As at 31 December 2017, bank borrowings of RMB15,684,690,000 (2016: RMB10,877,664,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 15); the secured bank borrowings of RMB2,399,356,000 (2016: RMB2,825,495,000) were additionally guaranteed by certain related parties (Note 37(b)(ii)).

22 BORROWINGS (CONTINUED)

(d) Other borrowings

As at 31 December 2017, borrowings from other financial institutions of RMB2,737,751,000 (2016: RMB2,898,390,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non – current liabilities:					
At 31 December 2017	2,229,569	8,741,633	13,686,056	1,122,750	25,780,008
At 31 December 2016	3,271,348	3,605,011	11,763,418	3,850,313	22,490,090
Borrowings included in current liabilities:					
At 31 December 2017	2,493,326	7,262,534	–	–	9,755,860
At 31 December 2016	2,503,342	5,032,741	–	–	7,536,083

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2017		31 December 2016	
	Carrying amount RMB'000	Fair Value RMB'000	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes (Note (i))	1,266,851	1,247,877	1,344,304	1,289,699
2020 Notes (Note (i))	1,922,656	1,936,384	–	–
2018 Notes II (Note (i))	–	–	1,369,421	1,441,703
Corporate bonds (Note (ii))	8,144,218	8,141,728	10,226,633	10,329,329
Bank borrowings (Note (iii))	12,093,225	12,093,225	7,898,151	7,960,850
Other borrowings (Note (iii))	2,353,058	2,353,058	1,651,581	1,651,581
	25,780,008	25,772,272	22,490,090	22,673,162

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2017 and 2016, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

(ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2017 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.

(iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

22 BORROWINGS (CONTINUED)

(g) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2017					
Within 1 year	**2,377,426**	**3,402,277**	**3,591,464**	**384,693**	**9,755,860**
1–2 years	**–**	**7,149,264**	**3,899,104**	**1,772,768**	**12,821,136**
2–5 years	**3,189,507**	**994,953**	**5,721,722**	**580,290**	**10,486,472**
Over 5 years	**–**	**–**	**2,472,400**	**–**	**2,472,400**
	5,566,933	**11,546,494**	**15,684,690**	**2,737,751**	**35,535,868**
As at 31 December 2016					
Within 1 year	665,530	2,644,232	2,979,513	1,246,808	7,536,083
1–2 years	1,369,421	726,647	1,741,647	1,440,865	5,278,580
2–5 years	1,344,303	6,024,674	4,719,753	210,717	12,299,447
Over 5 years	–	3,475,312	1,436,751	–	4,912,063
	3,379,254	12,870,865	10,877,664	2,898,390	30,026,173

(h) The effective interest rates of borrowings are as follows:

	31 December 2017	2016
Senior notes	**7.78%**	9.43%
Corporate bonds	**6.49%**	6.12%
Bank and other borrowings	**5.81%**	5.55%

(i) The carrying amounts of borrowings are denominated in the following currencies:

	31 December 2017 RMB'000	2016 RMB'000
RMB	**27,167,637**	26,188,686
HK$	**533,511**	265,831
US$	**7,834,720**	3,571,656
	35,535,868	30,026,173

22 BORROWINGS (CONTINUED)

(j) As at 31 December 2017 and 2016, the Group had the following undrawn borrowing facilities:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Floating rate:		
– expiring within 1 year	**–**	356,000
– expiring beyond 1 year	**3,054,855**	2,195,215
Fixed rate:		
– expiring within 1 year	**–**	178,500
	3,054,855	2,729,715

23 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**241,394**	236,246
To be realised within 12 months	**126,448**	123,752
	367,842	359,998
Deferred income tax liabilities:		
To be realised after more than 12 months	**(4,539,257)**	(4,041,526)
To be realised within 12 months	**(194,514)**	–
	(4,733,771)	(4,041,526)
	(4,365,929)	(3,681,528)

23 DEFERRED INCOME TAX (CONTINUED)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
At 1 January	**(3,681,528)**	(3,290,603)
Recognised in income tax expenses (Note 31)	**(242,448)**	(387,112)
Tax charge relating to components of other comprehensive income (Note 20(d))	**(10,064)**	(3,813)
Consolidations of entities previously held as joint ventures (Note 41)	**(522,860)**	–
Disposal of a subsidiary	**90,971**	–
At 31 December	**(4,365,929)**	(3,681,528)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2017	**229,962**	**218,997**	**448,959**
(Charged)/credited to the income tax expenses	**(272)**	**14,474**	**14,202**
Disposal of a subsidiary	**–**	**(2,392)**	**(2,392)**
At 31 December 2017	**229,690**	**231,079**	**460,769**
At 1 January 2016	258,823	212,367	471,190
(Charged)/credited to the income tax expenses	(28,861)	6,630	(22,231)
At 31 December 2016	229,962	218,997	448,959

23 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases RMB'000	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation of available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2017	**–**	**(4,413)**	**(4,042,032)**	**(84,042)**	**(4,130,487)**
Consolidations of entities previously held as joint ventures (Note 41)	**(428,955)**	**–**	**(93,905)**	**–**	**(522,860)**
Tax credited/(charged) the income tax expenses	**305,032**	**(365)**	**(561,317)**	**–**	**(256,650)**
Tax charge relating to components of other comprehensive income	**–**	**–**	**–**	**(10,064)**	**(10,064)**
Disposal of a subsidiary	**–**	**–**	**93,363**	**–**	**93,363**
At 31 December 2017	**(123,923)**	**(4,778)**	**(4,603,891)**	**(94,106)**	**(4,826,698)**
At 1 January 2016	–	(3,628)	(3,677,936)	(80,229)	(3,761,793)
Tax charged to the income tax expenses	–	(785)	(364,096)	–	(364,881)
Tax charge relating to components of other comprehensive income	–	–	–	(3,813)	(3,813)
At 31 December 2016	–	(4,413)	(4,042,032)	(84,042)	(4,130,487)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB44,526,000 (2016: RMB56,501,000) in respect of losses amounting to RMB178,104,000 (2016: RMB226,004,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Deferred income tax liabilities of RMB2,186,590,000 (2016: RMB2,034,736,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB24,893,158,000 as at 31 December 2017 (2016: RMB22,648,208,000), as the Group does not have a plan to distribute these earnings out of the PRC.

24 TRADE AND OTHER PAYABLES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Trade payables (Note (a))	**7,156,449**	5,511,247
– Related parties (Note 37(d))	**18,839**	32,665
– Third parties	**7,107,328**	5,247,531
– Notes payable – third parties	**30,282**	231,051
Other payables and accruals	**8,580,273**	4,648,449
– Related parties (Note 37(d))	**4,508,599**	3,097,696
– Third parties (Note (b))	**4,071,674**	1,550,753
Payables for retention fee	**697,633**	505,615
Payables for acquisition of land use rights	**261,286**	177,189
Other taxes payables	**512,462**	391,843
	17,208,103	11,234,343

(a) The ageing analysis of trade payables as at 31 December 2017 and 2016 based on invoice date is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 90 days	**4,525,782**	2,142,205
Over 90 days and within 180 days	**804,875**	1,551,329
Over 180 days and within 365 days	**955,536**	893,748
Over 365 days and within 3 years	**870,256**	923,965
	7,156,449	5,511,247

(b) Other payables mainly included deposits from property purchasers and current accounts due to other shareholders of certain subsidiaries of the Group. These amounts are interest-free, unsecured and repayable on demand.

(c) The Group's trade and other payables are mainly denominated in RMB.

25 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2017 RMB'000	2016 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**2,294,105**	1,985,378
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**123,792**	104,956
– PRC land appreciation tax payable	**2,302,227**	1,611,167
	4,720,124	3,701,501

26 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2017 RMB'000	2016 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	**8,824,583**	8,215,021
Staff costs (including directors' emoluments)	**959,117**	763,264
Employee benefit expenditure – including directors' emoluments	**1,055,434**	843,667
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(96,317)**	(80,403)
Business taxes and other levies (Note (a))	**280,953**	417,620
Advertising costs	**291,571**	235,576
Property management fees	**264,398**	207,036
Hotel operations expenses	**296,718**	201,364
Depreciation (Note 6)	**159,372**	135,628
Donations	**58,778**	70,027
Amortisation of land use rights (Note 7)	**24,241**	22,694
Auditor's remuneration	**6,000**	5,696
– Audit services	**5,100**	4,800
– Non-audit services	**900**	896
Office lease payments	**5,618**	5,431

(a) Pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying VAT in place of Business Tax' (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, revenue of sales of properties, rental and management services of the Group's PRC subsidiaries previously subject to business tax is subject to VAT from 1 May 2016.

27 STAFF COSTS

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Wages and salaries	**866,891**	690,647
Pension costs – statutory pension	**146,638**	118,139
Other staff welfare and benefits	**41,154**	32,103
Value of employee services under Share Award Scheme	**751**	2,778
	1,055,434	843,667
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(96,317)**	(80,403)
	959,117	763,264

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2016: two) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the other one (2016: three) highest paid individuals for the year ended 31 December 2017 and 2016 are set out below:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Wages and salaries	**720**	1,800
Retirement scheme contributions	**87**	249
Housing allowance	**96**	407
Share Award Scheme	**–**	212
	903	2,668

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HK$)		
HK$1,000,000 to HK$1,500,000	**1**	3

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

28 OTHER INCOME AND GAINS – NET

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Fair value gains on the remeasurement of investments in joint ventures	**282,450**	–
Interest income	**158,931**	–
Investment gain from derivative financial instruments	**71,775**	16,710
Fair value gains/(losses) on financial assets at fair value through profit or loss	**15,089**	(2,400)
Gains on disposal of investment properties	**14,756**	4,831
Gains on disposal of financial assets at fair value through profit or loss	**9,526**	–
Dividend income of financial assets at fair value through profit or loss	**1,949**	–
Penalty on cancellation of sales contracts	**–**	30,000
Fair value losses on derivative financial instruments	**–**	(39,719)
Others	**7,089**	435
	561,565	9,857

29 EXCHANGE (LOSSES)/GAINS – NET

Amount mainly represents the net gain or loss on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 30).

30 FINANCE COSTS – NET

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Interest expenses:		
Bank borrowings and other borrowings	**967,825**	917,523
Senior notes	**292,313**	321,463
Corporate bonds	**763,350**	388,065
Less: interest capitalised	**(1,091,352)**	(1,361,824)
	932,136	265,227
Foreign exchange (gains)/losses on financing activities – net	**(359,518)**	316,541
Less: capitalised	**–**	(72,284)
	(359,518)	244,257
Losses of early redemption of senior notes	**–**	169,484
	572,618	678,968

31 INCOME TAX EXPENSES

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Current income tax:		
PRC corporate income tax	**1,162,386**	770,304
PRC land appreciation tax ("LAT")	**701,850**	806,524
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**–**	(5,344)
	1,864,236	1,571,484
Deferred income tax:		
PRC corporate income tax	**242,448**	387,112
PRC land appreciation tax	**173,756**	–
	2,280,440	1,958,596

The tax charge on other comprehensive income has been disclosed in Note 20(d).

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2017 **RMB'000**	2016 RMB'000
Profit before income tax	**6,148,183**	4,707,800
Calculated at applicable corporate income tax rate	**1,721,418**	1,382,790
Effect of expenses not deductible for income tax	**92,443**	8,797
Effect of income not subject to income tax	**(160,492)**	(10,466)
Share of profit of investments accounted for using the equity method	**(49,340)**	(78,574)
Tax losses for which no deferred income tax asset was recognised	**44,526**	56,500
Utilisation of tax losses previously not recognised	**(24,819)**	–
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(218,902)**	(201,631)
	1,404,834	1,157,416
Reversal of withholding income tax for distributable profits of the PRC subsidiaries due to change of tax rate	**–**	(5,344)
PRC land appreciation tax	**875,606**	806,524
	2,280,440	1,958,596

31 INCOME TAX EXPENSES (CONTINUED)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the Corporate Income Tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

32 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 for Share Award Scheme (Note 20 (c)).

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**3,336,752**	2,464,682
Weighted average number of ordinary shares in issue (thousand shares)	**3,967,240**	3,954,838
Basic earnings per share (RMB cents per share)	**84.108**	62.321

(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. Awarded shares granted by the Company have potential dilutive effect on the EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company.

	Year ended 31 December	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**3,336,752**	2,464,682
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	**3,969,298**	3,961,222
Weighted average number of ordinary shares in issue (thousand shares)	**3,967,240**	3,954,838
Adjustments for share options (thousand shares)	**2,058**	6,384
Diluted earnings per share (RMB cents per share)	**84.064**	62.220

33 DIVIDENDS

The dividend paid in 2017 consists of (i) the payment of the 2016 final cash dividend of HK$16.0 cents per ordinary share totalling HK$639,568,000 (equivalent to RMB556,802,000) (2015 final dividend: HK$9.0 cents, amounting to RMB301,397,000), excluding the dividend of RMB5,508,000 (2016: RMB3,422,000) payable to the Share Award Scheme Trust, and (ii) 2017 interim dividend of HK$5.4 cents per ordinary share in form of cash totalling HK$215,854,000 (equivalent to RMB183,729,000) (2016 interim dividend: nil).

The Board recommended the payment of a final dividend of HK$19.6 cents (equivalent to RMB16.4 cents based on the exchange rate of 29 December 2017) per ordinary share. Total amount of final dividend would be HK$783,471,000 (equivalent to RMB654,911,000) which is calculated according to the ordinary shares in issue as of 31 December 2017. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 8 June 2018. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Proposed final dividends	**654,911**	572,014

34 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before taxation	**6,148,183**	4,707,800
Adjustments for:		
Depreciation (Note 6)	**159,372**	135,628
Amortisation of land use rights recognised as expense (Note 7)	**24,241**	22,694
Fair value gains on investment properties – net (Note 8)	**(2,135,356)**	(1,519,884)
Share of profit of investments accounted for using the equity method (Note 15)	**(197,359)**	(314,295)
Amortisation of Share Award Scheme (Note 20)	**751**	2,778
Other income and gains-net (Note 28)	**(561,565)**	(9,857)
Finance costs – net (Note 30)	**572,618**	678,968
Exchange losses/(gains)	**3,391**	(2,343)
Changes in operating capital:		
Properties under development and completed properties held for sale	**(508,665)**	1,231,639
Restricted cash	**273,895**	(32,703)
Trade and other receivables	**1,104,547**	(1,228,759)
Prepayments	**(2,717,775)**	(672,860)
Financial assets at fair value through profit or loss	**22,665**	(29,403)
Trade and other payables	**2,369,947**	969,607
Advances from customers	**(254,779)**	(459,365)
Cash generated from operation	**4,304,111**	3,479,645

34 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowing due within 1 year RMB'000	Borrowing due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2017	3,130,361	7,536,083	22,490,090	33,156,534
Cash flows	2,642,439	(2,086,904)	7,159,522	7,715,057
Consolidations of entities previously held as joint ventures (Note 41)	–	320,000	665,000	985,000
Disposal of subsidiary	–	(8,000)	(202,000)	(210,000)
Foreign exchange adjustments	–	(164,132)	(84,080)	(248,212)
Classification	–	4,427,644	(4,427,644)	–
Other non-cash movements (Note (i))	(1,245,362)	(268,831)	179,120	(1,335,073)
Net debt as at 31 December 2017	4,527,438	9,755,860	25,780,008	40,063,306

(i) Other non-cash movements comprise mainly 1) the elimination of the loans from joint ventures after the joint ventures were changed to subsidiaries of the Group during the year, and 2) amortisation of issuance costs of senior notes and corporate bonds.

35 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	11,378,429	9,290,180
Guarantees for borrowings of joint ventures (Note (b))	1,519,000	1,895,000
	12,897,429	11,185,180

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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 take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

(b) It represents guarantees provided to joint ventures to obtain borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

36 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2017 **RMB'000**	2016 RMB'000
Contracted but not provided for:		
Properties development activities	**4,132,025**	5,432,836
Acquisition of land use rights	**46,660**	85,540
	4,178,685	5,518,376

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2017 **RMB'000**	2016 RMB'000
– Not later than one year	**5,249**	3,645
– Later than one year and not later than two years	**863**	3,005
– Later than two years and not later than three years	**102**	424
	6,214	7,074

37 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Macau Powerlong Group 澳門寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Great Merchant Limited 弘商有限公司	Controlled by the ultimate Controlling Shareholder
Tianjin Jinjun 天津金駿	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui 寶匯	Joint venture of the Group
Shanghai Xingwan Property Co., Ltd. 上海興萬置業有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Shanghai Zhanyao (Note 15(a)(i)) 上海展耀	Joint venture of the Group
Fuyang Powerlong Zhanyao Property Co., Ltd. 阜陽寶龍展耀置業有限公司	Joint venture of the Group
Golden Wheel 金輪	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華灃置業發展有限公司	Joint venture of the Group
Hangzhou Donghui Real Estate Co., Ltd. 杭州東輝置業有限公司	Joint venture of the Group
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Jinjiang Ruilong Real Estate Development Co., Ltd. 晉江市睿龍置業發展有限公司	Joint venture of the Group

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with related parties (continued)

Name	Relationship
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	Joint venture of the Group
Hangzhou Maohui Business Consulting Co., Ltd. 杭州茂輝商務諮詢有限公司	Joint venture of the Group
Ningbo Youngor New Longland Real Estate Development Co., Ltd. 寧波雅戈爾新長島置業有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海芈杰企業管理有限公司	Joint venture of the Group
Ningbo Youngor North City Real Estate Development Co., Ltd. 寧波雅戈爾北城置業有限公司	Joint venture of the Group
Changying Yehai (Hainan) Real Estate Development Co., Ltd. 長影椰海(海南)房地產開發有限公司	Joint venture of the Group
Changying Yuehai (Hainan) Real Estate Development Co., Ltd. 長影粵海(海南)房地產開發有限公司	Joint venture of the Group
Changying Nanhai (Hainan) Real Estate Development Co., Ltd. 長影南海(海南)房地產開發有限公司	Joint venture of the Group
Changying Binhai (Hainan) Real Estate Development Co., Ltd. 長影濱海(海南)房地產開發有限公司	Joint venture of the Group
Changying Fuda (Hainan) Real Estate Development Co., Ltd. 長影福達(海南)房地產開發有限公司	Joint venture of the Group
Changying Xingda (Hainan) Real Estate Development Co., Ltd. 長影興達(海南)房地產開發有限公司	Joint venture of the Group
Changying Lida (Hainan) Real Estate Development Co., Ltd. 長影利達(海南)房地產開發有限公司	Joint venture of the Group
Changying Changliu (Hainan) Real Estate Development Co., Ltd 長影長流(海南)房地產開發有限公司	Joint venture of the Group
Changying Tongda (Hainan) Real Estate Development Co., Ltd. 長影通達(海南)房地產開發有限公司	Joint venture of the Group
Changying Jindao (Hainan) Real Estate Development Co., Ltd. 長影金島(海南)房地產開發有限公司	Joint venture of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Shanghai Zunchang (Note 15(a)(i)) 上海樽昶	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the years ended 31 December 2017 and 2016, the Group had the following significant transactions with related parties:

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Nature of transactions		
Controlled by the ultimate controlling shareholder		
Sales of properties	–	90,046
Rental income from related parties	2,349	3,138
Property management fee income	771	776
Purchase of office equipment and security intelligentisation system services from related parties	43,946	55,576
Hotel accommodation service fee charged by a related party	1,218	160
	48,284	149,696

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Joint ventures		
Sales of construction materials to joint ventures	68,242	86,820
Consultation services provided to joint ventures	34,058	26,584
Guarantees for borrowings of joint ventures	1,519,000	1,895,000
	1,621,300	2,008,404

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB2,399,356,000 as at 31 December 2017 (31 December 2016: bank borrowings of RMB2,825,495,300) (Note 22).

(iii) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Key management compensation		
– Salaries and other employee benefits	**14,735**	10,268
– Pension costs	**1,096**	709
	15,831	10,977

(d) Balances with related parties

As at 31 December 2017, the Group had the following material balances with related parties:

	31 December 2017 RMB'000	2016 RMB'000
Amounts due from related parties included in other receivables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**21,376**	21,376
Joint ventures	**5,796,673**	1,082,578
Associates	**14**	131,514
	5,818,063	1,235,468
Amounts due to related parties included in trade payables (Note (i)):		
Controlled by the ultimate controlling shareholder	**17,561**	11,240
Joint ventures	**1,278**	21,425
	18,839	32,665
Amounts due to related parties included in other payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**437,143**	209,820
Joint ventures	**3,327,941**	2,796,526
Associates	**743,515**	91,350
	4,508,599	3,097,696
Amounts due to related parties included in advances from customers (Note (iii)):		
A close family member of ultimate controlling shareholder	**6,570**	6,628

(i) Amounts due to related parties included in trade payables are mainly derived from purchase of construction materials, which are unsecured, interest-free and to be settled according to contract terms.

(ii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures with interest bearing (Note 11(c)), others are unsecured, interest-free and receivable/repayable on demand.

(iii) Amounts due to related parties included in advances from customers are mainly advance paid by the ultimate controlling shareholder of the Company for purchase of properties from the Group.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Amount due from a director and entities ultimately controlled by the director

Particulars of amounts due from a director of the Company and entities ultimately controlled by the director are as follows:

	31 December		Maximum amount outstanding for the year ended 31 December	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Entities controlled by the ultimate Controlling Shareholder (Note (d))	**21,376**	21,376	**21,376**	21,376

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2017 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	Limited liability company	HK$100	100%	–	Investment holding in British Virgin Islands
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 5 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
天津寶龍城房地產開發有限公司 Tianjin Powerlong City Real Estate Development Co., Ltd.	the PRC 09 March 2011	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	US$293,833,329	100%	–	Property development and property investment in the PRC
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	Limited liability company	US$199,900,000	100%	–	Property development and property investment in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
廈門寶龍地產管理有限公司 Xiamen Powerlong Property Management Co., Ltd.	the PRC 16 October 2007	Limited liability company	RMB4,338,000	100%	–	Investment holding in the PRC
寶龍置地發展有限公司 Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$50,000	82%	18%	Investment holding in Hong Kong
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	USD87,500,000	82%	18%	Investment holding in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	USD3,000,000	100%	–	Investment holding in the PRC
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB80,000,000	100%	–	Property development and property investment in the PRC
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
上海寶龍精駿房地產開發有限公司 Shanghai Powerlong Jingjun Real Estate Development Co., Ltd	the PRC 18 March 2015	Limited liability company	RMB50,000,000	100%	–	Property development and property investment in PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 06 June 2012	Limited liability company	RMB281,606,216	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 09 November 2011	Limited liability company	RMB635,112,293	69%	31%	Property development and property investment in the PRC
富陽寶龍房地產開發有限公司 Fuyang Powerlong Real Estate Development Co., Ltd.	the PRC 30 October 2013	Limited liability company	RMB210,167,600	82%	18%	Property development and property investment in the PRC
上海寶龍瑞勝房地產開發有限公司 Shanghai Powerlong Ruisheng Real Estate Development Co., Ltd	the PRC 07 March 2014	Limited liability company	RMB180,000,000	82%	18%	Property development and property investment in PRC
永春寶龍房地產開發有限公司 Yongchun Powerlong Real Estate Development Co., Ltd	the PRC 15 January 2014	Limited liability company	RMB150,000,000	42%	58%	Property development and property investment in PRC

38 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
阜陽寶龍展耀置業有限公司 Fuyang Powerlong Zhanyao Property Co., Ltd.	the PRC 29 August 2014	Limited liability company	RMB100,000,000	42%	58%	Property development and property investment in PRC
青島寶龍英聚文化旅遊開發有限公司 Qingdao Powerlong Yingju Cultural Tourism Development Co., Ltd.	the PRC 07 June 2013	Limited liability company	RMB186,909,400	61%	39%	Property development and property investment in PRC
上海寶龍睿承房地產開發有限公司 Shanghai Powerlong Ruicheng Real Estate Development Co., Ltd	the PRC 18 December 2015	Limited liability company	RMB335,000,000	82%	18%	Property development and property investment in PRC
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Development Co., Ltd.	the PRC 28 October 2010	Limited liability company	RMB66,597,000	100%	–	Property development and property investment in PRC
漳州寶龍置業有限公司 Zhangzhou Powerlong Property Development Co., Ltd.	the PRC 04 December 2012	Limited liability company	RMB100,000,000	75%	25%	Property development and property investment in PRC
鄭州茂龍企業管理諮詢有限公司 Zhengzhou Maolong Enterprise Management Consulting Co., Ltd.	the PRC 07 April 2005	Limited liability company	RMB289,000,000	100%	–	Property development and property investment in PRC
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development and property investment in the PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

39 CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2017, the Group acquired certain equity interests in certain subsidiaries at a total consideration of RMB390,113,000, out of which RMB200,000,000 was settled by cash and the remaining RMB190,113,000 was by transfer of the Group's equity interest in another subsidiary. The difference between consideration paid and the carrying amount of equity interests acquired amounting to RMB6,875,000 deducted the reserves.

40 ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2017, the Group acquired controlling interests of certain property development companies in the PRC at consideration totalling approximately RMB218,496,000. These companies only held parcels of land and did not conduct any substantial operation before they were acquired by the Group. Thus, the directors are of the view that the acquisitions do not constitute acquisition of businesses, and have been treated as acquisition of land use rights. These acquisitions resulted in an increase in the non-controlling interests of the Group totalling RMB39,993,000.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

On 1 September 2017, the joint venture partner of Shanghai Zhanyao and its subsidiary ("Zhanyao Group") have transferred the controlling rights of the jointly controlled projects to the Group. Accordingly, Zhaoyao Group changed from joint ventures to subsidiaries of the Group. The investments in Zhanyao Group is deemed as having been disposed, and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB282,450,000 from the remeasurements are recognised in the consolidated income statement in accordance with HKFRS 3 – Business Combinations.

Shanghai Zunchang is held by Shanghai Zhanyao, another subsidiary of the Group and a third party as to 50%, 25% and 25%, respectively. The Group previously account for investment in Shanghai Zunchang as an associate. Upon Shanghai Zhanyao became a subsidiary of the Group, the Group obtained control over Shanghai Zunchang accordingly.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES (CONTINUED)

The following table summarises the remeasurement gains on the investments in the joint ventures, the fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the respective consolidation dates.

	Zhanyao Group RMB'000	Shanghai Zunchang RMB'000	Elimination RMB'000	Total RMB'000
Carrying amounts of the Group's investments in respective entities	306,954	2,482	–	309,436
Fair value gains on the remeasurement of respective entities	282,450	–	–	282,450
Fair value of the investments in respective entities	589,404	2,482	–	591,886
Recognised amounts of identifiable assets acquired and liabilities assumed				
Investment properties	709,954	–	–	709,954
Property and equipment	59,885	–	–	59,885
Land use rights	29,293	–	–	29,293
Properties under development	1,863,934	–	–	1,863,934
Completed properties held for sale	226,161	–	–	226,161
Investments accounted for using the equity method	4,964	278,479	(4,964)	278,479
Trade and other receivables	1,993,467	953,859	(160,000)	2,787,326
Prepayments	14,431	–	–	14,431
Cash and cash equivalents	95,759	4,225	–	99,984
Borrowings	(160,000)	(825,000)	–	(985,000)
Deferred income tax liabilities	(522,860)	–	–	(522,860)
Advances from customers	(2,122,454)	–	–	(2,122,454)
Trade and other payables	(988,683)	(401,635)	160,000	(1,230,318)
Current income tax liabilities	(48,157)	–	–	(48,157)
Total identifiable net assets	1,155,694	9,928	(4,964)	1,160,658
Non-controlling interest	(566,290)	(7,446)	4,964	(568,772)
Identifiable net assets acquired	589,404	2,482	–	591,886
Goodwill	–	–	–	–

The acquired businesses contributed revenues of RMB1,978,103,000 and net profit of RMB213,745,000 to the Group for the period from the respective acquisition dates to 31 December 2017. If the acquisitions had occurred on 1 January 2017, consolidated revenue and consolidated profit for the year ended 31 December 2017 would have been RMB15,592,641,000 and RMB3,988,599,000 respectively.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

	Note	31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,306,863**	6,306,112
Current assets			
Amounts due from subsidiaries		**11,198,660**	8,603,468
Financial assets at fair value through profit or loss		**28,953**	27,003
Restricted cash		**2,037**	70
Cash and cash equivalents		**303,365**	429,040
		11,533,015	9,059,581
Total assets		**17,839,878**	15,365,693
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**2,066,162**	2,683,046
Other reserves	(a)	**–**	7,988
Accumulated losses	(a)	**(213,281)**	(271,818)
Total equity		**1,852,881**	2,419,216
LIABILITIES			
Non-current liabilities			
Borrowings		**8,421,554**	8,078,292
Current liabilities			
Other payables and accruals		**271,064**	273,010
Amounts due to subsidiaries		**1,745,287**	98,943
Borrowings		**5,549,092**	4,385,977
Derivative financial instruments		**–**	110,255
		7,565,443	4,868,185
Total liabilities		**15,986,997**	12,946,477
Total equity and liabilities		**17,839,878**	15,365,693

The balance sheet of the Company was approved by the Board of Directors on 26 March 2018 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2016	21,670	(72,920)
Loss for the year	–	(206,632)
Pre-IPO Share Option Scheme expiry	(7,734)	7,734
Share Award Scheme – value of employee services	2,778	–
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	(8,726)	–
As at 31 December 2016	7,988	(271,818)
At 1 January 2017	**7,988**	**(271,818)**
Profit for the year	**–**	**58,537**
Share Award Scheme – value of employee services	**751**	**–**
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	**(8,739)**	**–**
As at 31 December 2017	**–**	**(213,281)**

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2017 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	960	–	240	–	–	45	1,245
Mr. Hoi Wa Fong	720	14	240	–	–	36	1,010
Mr. Xiao Qing Ping	600	24	240	114	–	37	1,015
Ms. Shih Sze Ni	480	14	240	–	–	23	757
Mr. Zhang Hong Feng	600	87	240	40	–	8	975
Non-executive directors					–		
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors	–						
Mr. Ngai Wai Fung	–	–	240	–	–	–	240
Mr. Mei Jian Ping	–	–	240	–	–	–	240
Mr. Ding Zu Yu	–	–	240	–	–	–	240
	3,360	139	2,064	154	–	149	5,866

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2016 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Pre-IPO Share Option Scheme RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors							
Mr. Hoi Kin Hong	720	–	240	–	–	99	1,059
Mr. Hoi Wa Fong	480	14	240	–	–	80	814
Mr. Xiao Qing Ping	480	22	240	114	–	85	941
Ms. Shih Sze Ni	360	14	240	40	–	52	706
Mr. Zhang Hong Feng	480	83	240	–	–	19	822
Non-executive directors							
Ms. Hoi Wa Fan	–	–	144	–	–	–	144
Independent non-executive directors							
Mr. Ngai Wai Fung	–	–	192	–	–	–	192
Mr. Mei Jian Ping	–	–	192	–	–	–	192
Mr. Ding Zu Yu	–	–	192	–	–	–	192
	2,520	133	1,920	154	–	335	5,062

Notes:

(i) Emoluments above include estimated money value of non-cash benefits: share award scheme, car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2017 (2016: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2017, the Group did not pay consideration to any third parties for making available directors' services (2016: nil).

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2017:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		
At 31 December 2016:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44 EVENTS AFTER THE BALANCE SHEET DATE

On 29 January 2018, the Group entered into a subscription agreement for HKD-settled convertible bonds to be issued by the Company in an aggregate principal amount of HK$1,990,000,000 due 11 February 2019 (the Convertible Bonds). Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$5.4463 per share, the Convertible Bonds will be convertible into 365,385,674 shares. The Convertible Bonds could be converted into ordinary shares of the Company at the initial conversion price of HK$5.4463 per share at any time on or after which is 41 days after 13 February 2018 and before the seven business day prior to the maturity date. The Convertible Bonds are listed in the Singapore Exchange Securities Trading Limited.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of Powerlong Real Estate Holdings Limited
(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Powerlong Real Estate Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 70 to 170, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We 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.

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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.

Key audit matter identified in our audit is summarised as follows:

- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to notes 4 and 8 to the consolidated financial statements The Group's investment properties are stated at fair value. As at 31 December 2018, the Group's investment properties amounted to RMB45.7 billion, which represents 35% of the Group's total assets, and the fair value gains on investment properties for the year ended 31 December 2018 amounted to RMB2.5 billion. Independent external valuations were obtained for certain of the Group's investment properties (including completed and under construction) in order to support management's estimates. The valuations of investment properties are dependent on certain key estimates and assumptions that require significant management judgement, including term yields and reversionary yields, fair market rents and fair market prices. The valuations of investment properties under construction are also dependent upon the estimated costs to complete. We paid significant attention to this area due to the material balance and fair value gain of investment properties to the Group's consolidated financial statements and there is critical judgement involved in determining the critical estimates and assumptions used in the valuations.	 Our procedures in relation to management's valuation of investment properties included: (i) We evaluated the competence, capabilities and objectivity of the independent external valuer; (ii) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key estimates and assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We compared the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (iii) We checked the accuracy and relevance of the input data used in the valuations; (iv) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date. We found the key estimates and assumptions used in the valuation of investment properties were supported by the available evidences.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho, Chiu Yin, Ivan.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2019

CONSOLIDATED BALANCE SHEET

	Note	31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**3,370,562**	3,528,545
Land use rights	7	**1,181,965**	1,059,237
Investment properties	8	**45,659,136**	39,217,669
Investments accounted for using the equity method	16	**4,127,443**	4,187,143
Deferred income tax assets	25	**499,343**	367,842
Financial assets at fair value through other comprehensive income ("**FVOCI**")	2.2,15	**348,461**	–
Available-for-sale financial assets	2.2,15	**–**	462,507
Prepayments	13	**–**	1,207,135
		55,186,910	50,030,078
Current assets			
Properties under development	9	**32,350,267**	10,344,885
Completed properties held for sale	10	**9,442,602**	10,416,531
Contract assets		**6,967**	–
Trade receivables	11	**1,519,989**	1,457,457
Other receivables	12	**14,732,697**	8,735,727
Prepayments	13	**2,014,617**	4,149,405
Prepaid taxes		**727,215**	365,417
Financial assets at fair value through profit or loss ("**FVPL**")	14	**297,565**	28,953
Restricted cash	18	**935,935**	575,538
Cash and cash equivalents	19	**14,839,776**	9,386,757
		76,867,630	45,460,670
Total assets		**132,054,540**	95,490,748
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium	20	**1,164,125**	2,066,162
Other reserves	21	**681,076**	656,982
Retained earnings		**25,442,263**	22,614,113
		27,287,464	25,337,257
Perpetual Capital Instruments	22	**1,552,254**	1,722,363
Non-controlling interests		**3,965,222**	2,414,569
Total equity		**32,804,940**	29,474,189

		31 December	
	Note	**2018 RMB'000**	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	23	**34,380,408**	25,780,008
Other payables	26	**206,007**	–
Deferred income tax liabilities	25	**6,130,190**	4,733,771
		40,716,605	30,513,779
Current liabilities			
Trade and other payables	26	**20,725,848**	17,208,103
Advances from customers		**–**	3,818,693
Contract liabilities	27	**16,444,184**	–
Current income tax liabilities	28	**6,642,105**	4,720,124
Borrowings	23	**12,977,220**	9,755,860
Convertible bonds	24	**1,743,638**	–
		58,532,995	35,502,780
Total liabilities		**99,249,600**	66,016,559
Total equity and liabilities		**132,054,540**	95,490,748

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 70 to 170 were approved by the Board of Directors on 21 March 2019 and were signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**19,593,790**	15,592,641
Cost of sales	29	**(12,041,179)**	(10,367,557)
Gross profit		**7,552,611**	5,225,084
Fair value gains on investment properties – net	8	**2,500,520**	2,135,356
Selling and marketing costs	29	**(785,914)**	(500,091)
Administrative expenses	29	**(1,480,700)**	(895,081)
Other income and gains – net	31	**216,369**	558,174
Operating profit		**8,002,886**	6,523,442
Finance costs – net	32	**(1,376,659)**	(572,618)
Share of profit of investments accounted for using the equity method	16	**187,234**	197,359
Profit before income tax		**6,813,461**	6,148,183
Income tax expense	33	**(3,165,812)**	(2,280,440)
Profit for the year		**3,647,649**	3,867,743
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax	21	**–**	30,193
Currency translation differences	21	**15,079**	(16,258)
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21	**158**	–
Total other comprehensive income for the year, net of tax		**15,237**	13,935
Total comprehensive income for the year		**3,662,886**	3,881,678
Profit attributable to:			
Owners of the Company		**2,837,007**	3,336,752
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,647,649	3,867,743
Total comprehensive income attributable to:			
Owners of the Company		**2,852,244**	3,350,687
Holders of Perpetual Capital Instruments		**123,045**	117,017
Non-controlling interests		**687,597**	413,974
		3,662,886	3,881,678
Earnings per share for profit attributable to owners of the Company for the year (expressed in RMB cents per share)	34		
– Basic		**70.973**	84.108
– Diluted		**66.397**	84.064

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2018							
Balance at 31 December 2017 as originally presented	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189
Adjustment on adoption of HKFRS 9, net of tax (Note 2.2)	–	(30,193)	30,193	–	–	–	–
Balance at 1 January 2018	2,066,162	626,789	22,644,306	25,337,257	1,722,363	2,414,569	29,474,189
Comprehensive income:							
Profit for the year	–	–	2,837,007	2,837,007	123,045	687,597	3,647,649
Other comprehensive income for the year							
– Changes in the value of financial assets at fair value through other comprehensive income	–	158	–	158	–	–	158
– Currency translation differences	–	15,079	–	15,079	–	–	15,079
Total comprehensive income for the year	–	15,237	2,837,007	2,852,244	123,045	687,597	3,662,886
Transactions with owners:							
Dividends	(902,037)	–	–	(902,037)	–	–	(902,037)
Issuance of Perpetual Capital Instruments	–	–	–	–	546,000	–	546,000
Redemption of Perpetual Capital Instruments	–	–	–	–	(690,400)	–	(690,400)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(148,754)	–	(148,754)
Capital contribution from non-controlling interests	–	–	–	–	–	270,607	270,607
Change from joint ventures to subsidiaries (Note 41)	–	–	–	–	–	592,939	592,939
Disposal of a subsidiary	–	–	–	–	–	(490)	(490)
Total transactions with owners	(902,037)	–	–	(902,037)	(293,154)	863,056	(332,135)
Appropriation to statutory reserves	–	39,050	(39,050)	–	–	–	–
Balance at 31 December 2018	1,164,125	681,076	25,442,263	27,287,464	1,552,254	3,965,222	32,804,940

	Attributable to owners of the Company						
	Share capital and share premium RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Total RMB'000	Perpetual Capital Instruments RMB'000 (Note 22)	Non-controlling interests RMB'000	Total equity RMB'000
Year ended 31 December 2017							
Balance at 1 January 2017	2,683,046	654,900	19,280,371	22,618,317	1,730,075	1,591,857	25,940,249
Comprehensive income:							
Profit for the year	–	–	3,336,752	3,336,752	117,017	413,974	3,867,743
Other comprehensive income for the year							
– Change in fair value of available-for-sale financial assets	–	30,193	–	30,193	–	–	30,193
– Currency translation differences	–	(16,258)	–	(16,258)	–	–	(16,258)
Total comprehensive income for the year	–	13,935	3,336,752	3,350,687	117,017	413,974	3,881,678
Transactions with owners:							
Dividends	(735,023)	–	–	(735,023)	–	–	(735,023)
Share Award Scheme:							
– Value of employee services	–	751	–	751	–	–	751
– Transfer of vested shares under Share Award Scheme to the staff	8,739	(8,739)	–	–	–	–	–
– Termination of share award scheme trust	109,400	–	–	109,400	–	–	109,400
Issuance of Perpetual Capital Instruments	–	–	–	–	1,161,500	–	1,161,500
Redemption of Perpetual Capital Instruments	–	–	–	–	(1,171,100)	–	(1,171,100)
Distribution to holders of Perpetual Capital Instruments	–	–	–	–	(115,129)	–	(115,129)
Capital contribution from non-controlling interests	–	–	–	–	–	238,300	238,300
Acquisition of subsidiaries	–	–	–	–	–	39,993	39,993
Change from joint ventures to subsidiaries	–	–	–	–	–	568,772	568,772
Disposal of a subsidiary	–	–	–	–	–	(48,214)	(48,214)
Changes in ownership interests in subsidiaries without change of control	–	(6,875)	–	(6,875)	–	(390,113)	(396,988)
Total transactions with owners	(616,884)	(14,863)	–	(631,747)	(124,729)	408,738	(347,738)
Appropriation to statutory reserves	–	3,010	(3,010)	–	–	–	–
Balance at 31 December 2017	2,066,162	656,982	22,614,113	25,337,257	1,722,363	2,414,569	29,474,189

The above consolidated statement of change in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**4,923,291**	4,304,111
PRC corporate income tax paid		**(628,469)**	(657,556)
PRC land appreciation tax paid		**(526,644)**	(374,807)
Interest paid		**(2,682,671)**	(1,951,827)
Cash generated from operating activities – net		**1,085,507**	1,319,921
Cash flows from investing activities			
Cash acquired from change of joint ventures to subsidiaries		**137,705**	99,984
Net cash outflow in disposal of a subsidiary		**(370)**	(2,283)
Purchases of property and equipment		**(130,333)**	(516,009)
Purchases of land use rights		**(155,845)**	(3,439)
Payments for investment properties		**(2,883,003)**	(1,217,105)
Proceeds from disposal of equipment		**2,489**	278
Purchases of available-for-sale financial assets		**–**	(9,000)
Purchases of financial assets at fair value through other comprehensive income		**(6,000)**	–
Purchase of financial assets at fair value through profit or loss		**(140,611)**	–
Prepayments for equity investments		**–**	(1,207,135)
Investments in joint ventures and associates		**(367,014)**	(759,635)
Proceeds from disposal of investment properties		**28,380**	45,713
Cash advances made to parties controlled by ultimate controlling shareholder		**(19,815)**	–
Cash advances made to joint ventures and associates		**(6,270,868)**	(5,563,774)
Collection of cash advances from joint ventures and associates		**899,346**	783,385
Collection of cash advances from other related parties		**19,815**	–
Proceeds from disposal of a joint venture		**–**	1,520
Dividend received from financial assets at fair value through profit or loss		**1,586**	1,949
Interest received		**166,947**	158,931
Cash used in investing activities – net		**(8,717,591)**	(8,186,620)

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital contribution from non-controlling interests		**270,607**	238,300
Proceeds from borrowings		**19,820,561**	13,479,974
Repayments of borrowings		**(8,912,979)**	(9,608,587)
Proceeds from corporate bonds		**994,850**	994,340
Repayments of corporate bonds		**(3,327,697)**	(2,039,455)
Proceeds from senior notes		**3,774,996**	2,998,395
Redemption of senior notes		**(2,501,839)**	(752,049)
Proceeds from convertible bonds		**1,609,433**	–
Proceeds from short-term commercial papers		**300,000**	–
Settlement of derivative financial instruments		**–**	(38,480)
Termination of share award scheme		**–**	109,400
Restricted cash (pledged for)/released from borrowings		**(212,789)**	325,064
Cash advances from parties controlled by ultimate controlling shareholders		**251,613**	233,644
Cash advances from joint ventures and associates		**3,011,531**	3,066,747
Repayments of cash advances to parties controlled by ultimate controlling shareholders		**(241,932)**	–
Repayments of cash advances to joint ventures and associates		**(564,083)**	(657,952)
Dividends paid to owners of the Company		**(902,037)**	(735,023)
Changes in ownership interests in subsidiaries without change of control		**–**	(200,000)
Distribution to holders of Perpetual Capital Instruments		**(148,754)**	(115,129)
Redemption of Perpetual Capital Instruments		**(690,400)**	(1,171,100)
Proceeds from issuance of Perpetual Capital Instruments		**546,000**	1,161,500
Cash generated from financing activities – net		**13,077,081**	7,289,589
Net increase in cash and cash equivalents		**5,444,997**	422,890
Cash and cash equivalents at beginning of the year	19	**9,386,757**	8,973,804
Effect of foreign exchange rate changes		**8,022**	(9,937)
Cash and cash equivalents at end of the year	19	**14,839,776**	9,386,757

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Powerlong Real Estate Holdings Limited (the "Company") was incorporated in the Cayman Islands on 18 July 2007 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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal activity is investment holding. The Company and its subsidiaries (together, the "Group") is principally engaged in property development, property investment, property management services and other property development related services in the People's Republic of China (the "PRC").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 14 October 2009.

These financial statements have been approved for issue by the board of directors (the "Board") of the Company on 21 March 2019.

These financial statements are presented on Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied in all the years presented, unless otherwise stated.

2.1 Basis of preparation

(i) *Compliance with HKFRSs and HKCO*

These consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment properties which are carried at fair value.

(iii) *New and amended standards and interpretation adopted by the Group*

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Annual Improvements	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contract Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers to Investment Property
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

Save for the impact of adoption of HKFRS 9 and HKFRS 15 set out in Note 2.2, the adoption of other new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) *New standards, amendments and interpretation not yet adopted*

The following new standards, *amendments* and interpretation and amendments to standards have been published that are not mandatory for the year ended 31 December 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16	Lease	1 January 2019
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements	Annual Improvements to HKFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	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 Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out in Note 2.1(a).

(a) HKFRS 16, 'Leases'

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB120,362,000 (Note 38), of which approximately RMB58,789,000 are related to short-term leases and RMB61,573,000 are related to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. The Group considered them to be immaterial to the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(iv) New standards, amendments and interpretation not yet adopted (continued)

(a) HKFRS 16, 'Leases' (continued)

The Group's activities as a lessor are significant as the Group has several investment properties to rent. However, HKFRS 16 has not much impact on lessor and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts on the Group's financial statements and the new accounting policies that have been first applied from 1 January 2018.

As explained in Note 2.2(a) and 2.2(b), HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies certain reclassifications and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	31 December 2017 As originally presented RMB'000	HKFRS 9 RMB'000	HKFRS 15 RMB'000	**1 January 2018 Restated RMB'000**
Non-current assets				
FVOCI	–	342,250	–	**342,250**
Available-for-sale financial assets (Note 2.2(a))	462,507	(462,507)	–	**–**
Current assets				
FVPL (Note 2.2(a))	28,953	120,257	–	**149,210**
Current liabilities				
Advances from customers	3,818,693	–	(3,818,693)	**–**
Contract liabilities	–	–	3,818,693	**3,818,693**
Equity				
Retained earnings	22,614,113	30,193	–	**22,644,306**
Other reserves	656,982	(30,193)	–	**626,789**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 by the Group from 1 January 2018 resulted in changes in accounting policies and classification of financial assets. In accordance with the transitional provisions in HKFRS 9, comparative figures of the Group have not been restated. The new accounting policies are set out in Note 2.11 below.

The effects of the adoption of HKFRS 9 are as follows:

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 measurement categories including 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.

Reclassification from AFS to FVPL and FVOCI

The Group held certain equity investments in unlisted companies totalling RMB462,507,000 which were classified as available-for-sale financial assets as at 31 December 2017. Included in this investment portfolio, there was an investment of RMB120,257,000 made to a real estate agency company which got listed in the Stock Exchange in July 2018. The Group might not hold this investment for long-term and thus has classified it as financial assets at fair value through profit or loss as at 1 January 2018 and the corresponding accumulated fair value gain of this investment amounting to RMB30,193,000 was reclassified from other reserves to retained earnings as at 1 January 2018. The other investments totalling RMB342,250,000 were classified as financial assets at fair value through other comprehensive income as at 1 January 2018 because these investments were held as long-term strategic investments that were not expected to be sold in the short to medium term.

Impairment of financial assets

The Group has two types of financial assets measured at amortised cost that are subject to new expected credit loss model of HKFRS 9 either on a 12-month basis or a lifetime basis:

- Trade receivables and contract assets
- Other receivables

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(a) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

(i) Trade receivables and contract assets

The Group applied the simplified approach and recorded lifetime expected losses on its trade receivables and contract assets.

(ii) Other receivables

The Group applied general approach and recorded either 12-month expected credit losses or lifetime expected credit losses on its other receivables.

(b) Adoption of HKFRS 15

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in Note 2.15 and 2.26 below.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, referred to as open contracts, thus the comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

Contract liabilities for progress billing recognised in relation to property development activities were previously presented as advances from customers.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(b) Adoption of HKFRS 15 (continued)

Accounting for property development activities (continued)

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 facilities or service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Management has assessed the current sale agreements used by the Group in accordance with HKFRS 15 and is of the view that the criteria for recognising revenue over time are not met for the majority of the sales of properties.

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.1 Consolidation (continued)

(a) Business combinations (continued)

If the business combination is achieved in stages, carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in 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 to the Group's accounting policies.

(b) 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.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Subsidiaries (continued)

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. 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 investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the 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 profit of investments accounted for using equity method' in the statement of comprehensive income.

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 the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of identifiable assets and liabilities of the joint venture is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.7 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within 'finance costs – net'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other income and gains – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Foreign currency translation (continued)

(b) *Transactions and balances (continued)*

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) *Group entities*

The results and financial positions of 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 balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;

- income and expenses for each consolidated statement of comprehensive income of the group entities 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. Depreciation on property 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
Motor vehicles	4-5 years
Furniture, fitting and equipment	3-25 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).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains – net' in the consolidated statement of comprehensive income.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.9 Investment property

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

After initial recognition, investment property is carried at fair value, representing open market value determined at each balance sheet date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. 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 this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Fair value gains on investment properties – net' in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment property (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

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 the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Intangible 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

From 1 January 2018, 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 equity instruments that are not held for trading, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) 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. The Group categories its debt instruments as amortised cost, which 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 profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(b) Equity investments

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 other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts 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 as '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 FVOCI are not reported separately from other changes in fair value.

2.11.3 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 11 for further details.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.3 Impairment (continued)

Impairment on other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11.4 Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The loans and receivables comprise 'trade and other receivables', 'amounts due from related parties', 'restricted cash' and 'cash and cash equivalents' in the balance sheet (Note 2.14 and Note 2.16).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.4 Accounting policies applied until 31 December 2017 (continued)

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'Other income and gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income within 'Other income and gains – net'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

2.11.4 Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available for sale

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Development cost of property comprises cost of land use rights, construction costs, borrowing costs on qualifying assets, and professional fees incurred during the development period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond a normal operating cycle.

2.14 Trade 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Contract assets and liabilities and costs for obtaining contracts

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents and restricted cash

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term highly liquid investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to owners of the Company.

2.18 Perpetual Capital Instruments

Perpetual Capital Instruments with no contracted obligation to repay its principal or with contractual right to delay the payment of any distribution are classified as part of equity.

2.19 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 and other 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.

2.20 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings and borrowing costs (continued)

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.21 Convertible bonds

Convertible bonds issued by the Company includes debt, early redemption option and conversion option components.

At the date of issue, the debt, early redemption option and conversion option components are recognised at fair value. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The early redemption option and conversion option components are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt, early redemption option and conversion option components in proportion to their relative fair values. Transaction costs relating to the early redemption option and conversion option components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is 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 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)

2.22 Current and deferred income tax (continued)

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) *Retirement benefits*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme"), which is a defined contribution retirement scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options 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 (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options 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 the profit or loss, with a corresponding adjustment to equity.

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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings 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 investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Provisions and contingent liabilities (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties and rendering 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 specific criteria have been met for each of the Group's activities, as described below.

(a) *Sales of properties*

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 that best depict the Group's performance in satisfying the performance obligation.

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

(a) *Sales of properties (continued)*

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser 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.

(b) *Investment and operation of commercial properties*

Revenues from investment and operation of commercial properties mainly include property lease income and revenues from hotel operations.

Property lease income

Property lease income from properties letting under operating leases is recognised on a straight line basis over the term of the lease.

Hotel operations

Revenues from hotel operations are recognised in the accounting period in which the related services are rendered.

(c) *Property management services*

Revenues from rendering of property management services are recognised in the accounting period in which the related services are rendered.

Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 31 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – other receivables and available-for-sale) calculated using the effective interest method is recognised in the consolidated statement of comprehensive income within 'Other income and gains-net'.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established.

2.29 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Group is the lessee other than operating lease of 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.

The Group is the lessee under operating lease of land use rights
Land use rights under operating lease, which mainly comprised land use rights to be developed for hotel properties and self-use buildings, are stated at cost and subsequently amortised in the consolidated statement of comprehensive income on a straight-line basis over the operating lease periods, less accumulated impairment provision.

The Group is the lessor
When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income is recognised in the profit or loss on a straight-line basis over the period of the lease.

2.30 Dividend distribution

Dividend distribution to the owners of the Company 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 owners of the Company.

2.31 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Financial guarantee contracts (continued)

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factor

(a) *Market risk*

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2018, major non-RMB assets and liabilities are cash and cash equivalents, restricted cash, FVOCI, FVPL, other payables, borrowings and convertible bonds, which are dominated in Hong Kong dollar ("HK$") or US dollar ("US$"). Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Financial assets		
– HK$	**568,455**	511,695
– US$	**61,151**	188,933
	629,606	700,628
Financial liabilities		
– HK$	**4,216,332**	878,556
– US$	**9,454,330**	7,834,720
	13,670,662	8,713,276

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) *Market risk (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 financial items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in RMB against the relevant currencies, the effect of post tax profit and net asset for the year is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Increase/(decrease) in profit for the year:		
5% strengthened in RMB against the relevant currencies		
– HK$	**182,394**	18,343
– US$	**469,659**	382,289
	652,053	400,632
5% weakened in RMB against the relevant currencies		
– HK$	**(182,394)**	(18,343)
– US$	**(469,659)**	(382,289)
	(652,053)	(400,632)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at variable rates expose the Group to cash flows interest rate risk.

The Group's exposure to changes in interest rates is mainly attributable to its long-term borrowings. As at 31 December 2018, long-term borrowings of the Group bearing floating interest rates amounted to approximately RMB19,617,127,000 (2017: RMB10,318,081,000). If interest rates on borrowings at floating rates as at 31 December 2018 had been 50 basis point higher/lower with all other variables held constant, interest charges for the year would increase/decrease by RMB98,086,000 (2017: RMB51,590,000), most of which would have been capitalised in qualified assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(a) Market risk (continued)

(iii) Price risk

The Group is exposed to equity securities price risk in connection with the financial assets at FVOCI and financial assets at FVPL held by the Group. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements. If the price of equity securities the Group invested in had been 5% higher/lower, post tax profit for the year ended 31 December 2018 would increase/decrease by approximately RMB14,878,000 (2017: increase/decrease by approximately RMB1,448,000), as a result of more/less fair value gain on financial assets at fair value through profit or loss. Other comprehensive income would have been approximately RMB13,067,000 higher/lower (2017: RMB17,344,000 higher/lower).

(b) Credit risk

The Group is exposed to credit risk in relation to its contract assets, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Cash transactions are limited to high-credit-quality institutions. Deposits are only placed with reputable banks.

For trade receivables and contract assets arisen from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. 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 property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 37.

For trade receivables arisen from lease of properties, the Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, and the Group monitors the credit quality of receivables on an ongoing basis. Deposits may be withheld by the Group in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract. The Group also regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

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 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 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 forwarding-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

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 receivables and adjusts for forward looking macroeconomic data.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(b) Credit risk (continued)

(i) Trade receivables 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 all trade receivables and contract assets.

To measure the expected credit losses of trade receivables and contract assets, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days of initial recognition.

The expected loss rate of contract assets is assessed to be low and no loss allowance provision is made for contract assets during the period. The loss allowance provision of trade receivables as at 31 December 2018 is set out in Note 11.

(ii) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties. The Group has assessed that the expected credit losses for these receivables under the 12 months expected losses method.

For amounts due from related parties that are receivable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. As the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. For other categories of other receivables have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term, the Group considered them to have low credit risk, and thus the loss allowance is immaterial.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factor (continued)

(c) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities, short-term and long-term borrowings. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet 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.

	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 2018					
Borrowings	**15,813,633**	**18,450,266**	**15,172,684**	**5,029,430**	**54,466,013**
Convertible bonds	**1,791,937**	**–**	**–**	**–**	**1,791,937**
Trade and other payables (Note (a))	**20,305,016**	**137,674**	**68,333**	**–**	**20,511,023**
Guarantees for borrowings of joint ventures (Note (b))	**822,500**	**–**	**–**	**–**	**822,500**
Financial guarantee for mortgage loans	**15,662,393**	**–**	**–**	**–**	**15,662,393**
	54,395,479	**18,587,940**	**15,241,017**	**5,029,430**	**93,253,866**
At 31 December 2017					
Borrowings	11,853,537	13,920,240	11,496,790	3,294,577	40,565,144
Trade and other payables (Note (a))	16,575,279	–	–	–	16,575,279
Guarantees for borrowings of joint ventures (Note (b))	1,519,000	–	–	–	1,519,000
Financial guarantee for mortgage loans	11,378,429	–	–	–	11,378,429
	41,326,245	13,920,240	11,496,790	3,294,577	70,037,852

Notes:

(a) It represents payables excluding salaries payables and other taxes payables.

(b) It represents the guaranteed principal of borrowings of joint ventures of the Group.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and convertible bonds less cash and cash equivalents (Note 19) and less guarantee deposits for bank borrowings included in restricted cash (Note 18(c)). Total borrowings comprise senior notes, corporate bonds, bank borrowings and other borrowings (Note 23). Total capital is calculated as total equity as shown in the consolidated balance sheet plus net debt.

The gearing ratios at 31 December 2018 and 2017 are as follows:

	31 December	
	2018 **RMB'000**	2017 RMB'000
Total borrowings (Note 23)	**47,357,628**	35,535,868
Add: convertible bonds (Note 24)	**1,743,638**	–
Less: cash and cash equivalents (Note 19)	**(14,839,776)**	(9,386,757)
Less: guarantee deposits for bank borrowings (Note 18(c))	**(524,789)**	(312,000)
Net debt	**33,736,701**	25,837,111
Total equity	**32,804,940**	29,474,189
Total capital	**66,541,641**	55,311,300
Gearing ratio	**50.7%**	46.7%

The increase in the gearing ratio during 2018 resulted primarily from the issuance of convertible bonds, senior notes and bank and other borrowings.

3.3 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. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018 and 2017. See Note 8 for disclosures of the investment properties that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2018				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	**155,189**	**142,376**	**–**	**297,565**
Financial assets at fair value through other comprehensive income (Note 15)	**–**	**–**	**348,461**	**348,461**
Total	**155,189**	**142,376**	**348,461**	**646,026**
At 31 December 2017				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)	28,953	–	–	28,953
Available-for-sale financial assets (Note 15)	–	–	462,507	462,507
Total	28,953	–	462,507	491,460

There were no transfers between levels during the year.

(a) *Financial instruments in level 1*

As at 31 December 2018, the Group's financial assets at fair value through profit or loss are listed securities in Hong Kong, their fair value is based on their quoted market prices at the balance sheet dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These financial assets at fair value through profit or loss are included in level 1. The quoted market price used for financial assets held by the Group is the current bid price.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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.

(c) *Financial instruments in level 3*

The fair value of financial instrument included in level 3 is disclosed in Note 15.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing these 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 cannot 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 judgements.

In assessing whether the Group has an enforceable right to payment for its sale contracts, the Group has obtained legal counsel's opinion regarding the enforceability of the right to payment, including an assessment on the contractual terms as well as any legislation that could supplement or override those contractual terms, and conducted an evaluation of any existence of circumstances that could restrict the Group to enforce its right to payment for specific performance. Management uses judgements, based on legal counsel's opinion, to classify sales contracts into those with right to payment and those without the right. Management will reassess their judgements on a regular basis to identify and evaluate the existence of any circumstances that could affect the Group's enforceable right to payment and the implication on the accounting for sales contracts.

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 judgements 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. Changes in cost estimates in future period 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.

(b) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. 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 year in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Income taxes and deferred taxation (continued)

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.

(c) PRC land appreciation taxes

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its PRC land appreciation taxes calculation and payments with most of local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these PRC land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the taxation and tax provisions in the years in which such taxes have been finalised with local tax authorities.

(d) Fair value of investment properties

The Group assesses the fair value of its completed investment properties and investment properties under construction based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of completed investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Investment properties under construction are carried at fair value when is considered to be reliably measurable. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers certain factors, please refer to Note 2.9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Fair value of investment properties (continued)

Management, after consulting independent qualified valuer, considers that the fair value of investment properties under construction as at 31 December 2018 can be measured at a reasonable accurate level. Therefore, these investment properties under construction as at 31 December 2018 were measured at fair value.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 8.

(e) Recoverability of contract assets and trade and other receivables

The management assesses the recoverability of contract assets and trade and other receivables individually with reference to the past repayment history as well as subsequent settlement status. Allowances are applied to these receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and the impairment charge in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

The executive directors, as the chief operating decision-makers ("CODM") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management services and other property development related services. As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

Revenue consists of sales of properties, rental income of investment properties, income of property management services and other property development related services. Revenue of the year consists of the following:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of properties	**16,667,415**	13,301,879
Rental income of investment properties	**1,123,555**	856,203
Income of property management services	**1,125,083**	947,888
Income of other property development related services	**677,737**	486,671
	19,593,790	15,592,641

5 SEGMENT INFORMATION (CONTINUED)

(a) Segment results represent the profit earned by each segment without other income and gains-net, unallocated operating costs, finance costs-net, share of profit of investments accounted for using the equity method and income tax expense. Property management services comprise mainly of provision of property management services and rental assistance services. Other property development related services are mainly operations of hotels. The segment results and other segment items for the year ended 31 December 2018 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	16,667,415	1,123,555	1,277,365	677,737	–	19,746,072
Inter-segment revenue	–	–	(152,282)	–	–	(152,282)
Revenue	16,667,415	1,123,555	1,125,083	677,737	–	19,593,790
Share of post-tax profits of joint ventures	102,767	–	–	–	–	102,767
Share of post-tax loss of associates	85,323	–	–	(856)	–	84,467
Segment results	5,653,640	3,122,393	122,515	(112,944)	–	8,785,604
Other income and gains – net						216,369
Unallocated operating costs						(811,853)
Finance costs – net						(1,376,659)
Profit before income tax						6,813,461
Income tax expense						(3,165,812)
Profit for the year						3,647,649
Depreciation (Note 6)	60,825	–	6,091	133,433	–	200,349
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	33,117	–	33,117
Fair value gains on investment properties – net (Note 8)	–	2,500,520	–	–	–	2,500,520

5 SEGMENT INFORMATION (CONTINUED)

(a) (continued)

The segment results and other segment items included in the profit for the year ended 31 December 2017 are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Gross segment revenue	13,301,879	856,203	1,032,255	486,671	–	15,677,008
Inter-segment revenue	–	–	(84,367)	–	–	(84,367)
Revenue	13,301,879	856,203	947,888	486,671	–	15,592,641
Share of post-tax profits of joint ventures	223,863	–	–	–	–	223,863
Share of post-tax loss of associates	(25,372)	–	–	(1,132)	–	(26,504)
Segment results	4,142,160	2,510,693	115,438	(104,088)	–	6,664,203
Other income and gains – net						558,174
Unallocated operating costs						(501,576)
Finance costs – net						(572,618)
Profit before income tax						6,148,183
Income tax expense						(2,280,440)
Profit for the year						3,867,743
Depreciation (Note 6)	25,745	–	7,367	126,260	–	159,372
Amortisation of land use rights recognised as expenses (Note 7)	–	–	–	24,241	–	24,241
Fair value gains on investment properties – net (Note 8)	–	2,135,356	–	–	–	2,135,356

Sales between segments are carried out in accordance with the terms of the underlying agreements. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

5 SEGMENT INFORMATION (CONTINUED)

(b) Segment assets, liabilities and interests in joint ventures and associates as at 31 December 2018 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	69,471,350	47,870,178	1,752,372	4,814,650	(5,325,247)	118,583,303
Other assets						13,471,237
Total assets						132,054,540
Segment assets include:						
Interests in joint ventures	3,151,990	–	–	–	–	3,151,990
Interests in associates	929,568	–	–	45,885	–	975,453
Segment liabilities	28,955,446	2,771,337	1,027,149	3,807,519	(5,325,247)	31,236,204
Other liabilities						68,013,396
Total liabilities						99,249,600
Capital expenditure	74,778	4,091,436	2,553	297,151	–	4,465,918

Segment assets, liabilities and interests in joint ventures and an associate as at 31 December 2017 and capital expenditure for the year then ended are as follows:

	Property development RMB'000	Property investment RMB'000	Property management services RMB'000	Other property development related services RMB'000	Elimination RMB'000	Group RMB'000
Segment assets	41,737,622	40,820,717	1,156,859	4,331,461	(4,567,727)	83,478,932
Other assets						12,011,816
Total assets						95,490,748
Segment assets include:						
Interests in joint ventures	3,602,736	–	–	–	–	3,602,736
Interests in associates	537,795	–	–	46,612	–	584,407
Segment liabilities	14,165,947	2,038,247	1,022,212	3,591,986	(4,567,727)	16,250,665
Other liabilities						49,765,894
Total liabilities						66,016,559
Capital expenditure	493,579	1,929,245	33,083	307,145	–	2,763,052

5 SEGMENT INFORMATION (CONTINUED)

Segment assets are reconciled to total assets as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Segment assets	**118,583,303**	83,478,932
Other assets		
– Prepaid taxes	**727,215**	365,417
– Deferred income tax assets	**499,343**	367,842
– Unallocated cash and cash equivalents and restricted cash	**3,020,704**	4,876,556
– Other receivables from related parties (Note 39(d))	**8,456,228**	5,818,063
– Unallocated property and equipment	**108,144**	76,563
– Other corporate assets	**13,577**	15,915
– Financial assets at fair value through other comprehensive income (Note 15)	**348,461**	–
– Available-for-sale financial assets (Note 15)	**–**	462,507
– Financial assets at fair value through profit or loss (Note 14)	**297,565**	28,953
Total assets	**132,054,540**	95,490,748

Segment liabilities are reconciled to total liabilities as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Segment liabilities	**31,236,204**	16,250,665
Other liabilities		
– Current income tax liabilities	**6,642,105**	4,720,124
– Deferred income tax liabilities	**6,130,190**	4,733,771
– Current borrowings	**12,977,220**	9,755,860
– Convertible bonds	**1,743,638**	–
– Non-current borrowings	**34,380,408**	25,780,008
– Other payables to related parties (Note 39(d))	**5,686,893**	4,508,599
– Other corporate liabilities	**452,942**	267,532
Total liabilities	**99,249,600**	66,016,559

The amounts provided to the CODM with respect to total assets and liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment.

Segment assets consist primarily of property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, receivables and cash and cash equivalents.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment (Note 6), land use rights (Note 7) and investment properties (Note 8).

6 PROPERTY AND EQUIPMENT

	Assets under construction RMB'000	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2018					
Opening net book amount	**830,514**	**2,531,051**	**17,806**	**149,174**	**3,528,545**
Additions	**120,229**	**56,163**	**16,664**	**25,581**	**218,637**
Consolidations of entities previously held as joint ventures (Note 41)	**–**	**–**	**1,216**	**502**	**1,718**
Transfers	**(410,810)**	**410,810**	**–**	**–**	**–**
Disposals	**–**	**(175,500)**	**(212)**	**(2,277)**	**(177,989)**
Depreciation	**–**	**(161,054)**	**(6,830)**	**(32,465)**	**(200,349)**
Closing net book amount	**539,933**	**2,661,470**	**28,644**	**140,515**	**3,370,562**
At 31 December 2018					
Cost	**539,933**	**3,322,065**	**102,330**	**375,400**	**4,339,728**
Accumulated depreciation	**–**	**(660,595)**	**(73,686)**	**(234,885)**	**(969,166)**
Net book amount	**539,933**	**2,661,470**	**28,644**	**140,515**	**3,370,562**
Year ended 31 December 2017					
Opening net book amount	446,104	2,192,682	17,486	141,670	2,797,942
Additions	778,873	9,034	7,645	34,816	830,368
Consolidations of entities previously held as joint ventures	59,267	–	440	178	59,885
Transfers	(453,730)	453,730	–	–	–
Disposals	–	–	(13)	(265)	(278)
Depreciation	–	(124,395)	(7,752)	(27,225)	(159,372)
Closing net book amount	830,514	2,531,051	17,806	149,174	3,528,545
At 31 December 2017					
Cost	830,514	3,044,480	86,796	357,097	4,318,887
Accumulated depreciation	–	(513,429)	(68,990)	(207,923)	(790,342)
Net book amount	830,514	2,531,051	17,806	149,174	3,528,545

6 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charges were included in the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of sales	**147,809**	109,900
Selling and marketing costs	**2,606**	2,503
Administrative expenses	**49,934**	46,969
	200,349	159,372

As at 31 December 2018, property and equipment with a net book amount of RMB1,984,276,000 (2017: RMB1,651,966,000) were pledged as collateral for the Group's borrowings (Note 23).

Borrowing costs of RMB85,847,000 (2017: RMB80,315,000) have been capitalised in assets under construction for the year ended 31 December 2018.

The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

7 LAND USE RIGHTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening net book amount	**1,059,237**	1,050,746
Additions	**155,845**	3,439
Consolidations of entities previously held as joint ventures	**–**	29,293
Amortisation charges	**(33,117)**	(24,241)
Ending net book amount	**1,181,965**	1,059,237

Land use rights comprise cost of acquiring rights to use certain land, which are all located in the PRC, mainly for hotel buildings and other self-use buildings over fixed periods.

As at 31 December 2018, land use rights of RMB676,490,000 (2017: RMB624,327,000) were pledged as collateral for the Group's borrowings (Note 23).

8 INVESTMENT PROPERTIES

	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Year ended 31 December 2018			
At 1 January 2018	**34,145,966**	**5,071,703**	**39,217,669**
Additions	**261,103**	**3,830,333**	**4,091,436**
Transfers	**3,393,406**	**(3,393,406)**	**–**
Fair value gains – net	**1,722,703**	**777,817**	**2,500,520**
Transfer to completed properties held for sale – net	**(128,205)**	**–**	**(128,205)**
Disposals	**(22,284)**	**–**	**(22,284)**
At 31 December 2018	**39,372,689**	**6,286,447**	**45,659,136**
Year ended 31 December 2017			
At 1 January 2017	31,157,718	3,195,679	34,353,397
Additions	75,981	1,853,264	1,929,245
Consolidations of entities previously held as joint ventures	–	709,954	709,954
Transfers	1,047,474	(1,047,474)	–
Transfers from completed properties held for sale	503,087	–	503,087
Fair value gains – net	1,775,076	360,280	2,135,356
Disposals of a subsidiary	(382,413)	–	(382,413)
Disposals	(30,957)	–	(30,957)
At 31 December 2017	34,145,966	5,071,703	39,217,669

The following amounts have been recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Rental income (Note 5)	**1,123,555**	856,203
Direct operating expenses arising from investment properties that generate rental income	**(244,792)**	(194,538)
Direct operating expenses arising from investment properties that do not generate rental income	**(130,612)**	(101,549)

Investment properties as at 31 December 2018 are held in the PRC on leases between 10 to 50 years (2017:10 to 50 years).

Borrowing costs of RMB657,539,000 (2017: RMB380,049,000) have been capitalised in investment properties under construction for the year ended 31 December 2018. The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

As at 31 December 2018, investment properties of RMB31,560,192,000 (2017: RMB23,230,787,000) were pledged as collateral for the Group's borrowings (Note 23).

8 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the investment properties are expected to be realised through rental income. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

(i) Fair value hierarchy

An independent valuation of the Group's certain completed investment properties and investment properties under construction was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2018. The revaluation gains or losses are included in 'Fair value gains on investment properties – net' in the statement of comprehensive income.

As at 31 December 2018, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels during the year.

(ii) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2018 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques

Completed investment properties comprise of commercial properties and carparks. For commercial properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

For carparks, valuations are determined using the direct comparison methods. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the selling price such as property size, locations.

Fair values of the investment properties under development are generally derived using the residual method. This valuation method is essentially a means of valuing the land by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

There were no changes to the valuation techniques during the year.

	Property Category	Fair value at 31 December 2018 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	36,444,226	Term and reversionary method	Term yields	3.5%-6.5%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/ month)	62-304	The higher the market rents, the higher the fair value
	Car parks	2,928,463	Direct comparison	Market price (RMB/per car park)	29,000-400,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	5,665,714	Residual method	Market rents (RMB/square meter/ month)	41-266	The higher the market rents, the higher the fair value
				Reversionary yields	5.0%-6.0%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,523-3,213	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10.0%-15.0%	The higher the developer's profit, the lower the fair value
	Car parks	620,733	Residual method	Market price (RMB/per car park)	75,000-320,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	368-2,261	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	10%-15%	The higher the developer's profit, the lower the fair value

8 INVESTMENT PROPERTIES (CONTINUED)

(iii) Valuation techniques (continued)

	Property Category	Fair value at 31 December 2017 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed investment properties	Commercial properties	31,933,640	Term and reversionary method	Term yields	3.5%-6.0%	The higher the term yields, the lower the fair value
				Reversionary yields	5.0%-7.0%	The higher the reversionary yields, the lower the fair value
				Market rents (RMB/square meter/ month)	80-303	The higher the market rents, the higher the fair value
	Car parks	2,212,326	Direct comparison	Market price (RMB/per car park)	28,000-330,000	The higher the market price, the higher the fair value
Investment properties under construction	Commercial properties	4,861,362	Residual method	Market rents (RMB/square meter /month)	113-171	The higher the market rents, the higher the fair value
				Reversionary yields	5.5%-6.5%	The higher the market yields, the lower the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,182-3,219	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	5.0%-15.0%	The higher the developer's profit, the lower the fair value
	Car parks	210,341	Residual method	Market price (RMB/per car park)	34,000-139,000	The higher the market price, the higher the fair value
				Budgeted construction costs to be incurred (RMB/sq.m)	1,019-1,280	The higher the budgeted construction costs to be incurred, the lower the fair value
				Developer's profit (%)	15%	The higher the developer's profit, the lower the fair value

9 PROPERTIES UNDER DEVELOPMENT

	31 December	
	2018 **RMB'000**	2017 RMB'000
Properties under development include:		
– Construction costs and capitalised expenditures	**7,655,046**	3,176,356
– Interests capitalised	**3,085,253**	1,788,077
– Land use rights	**21,609,968**	5,380,452
	32,350,267	10,344,885

The properties under development are all located in the PRC and expected to be completed within an operating cycle. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 31 December 2018, properties under development of approximately RMB18,288,430,000 (2017: RMB4,630,753,000) were pledged as collateral for the Group's borrowings (Note 23).

The capitalisation rate of borrowings for the year ended 31 December 2018 was 6.42% (2017: 5.99%).

10 COMPLETED PROPERTIES HELD FOR SALE

The completed properties held for sale are all located in the PRC.

As at 31 December 2018, completed properties held for sale of approximately RMB3,258,498,000 (2017: RMB3,140,347,000) were pledged as collateral for the Group's borrowings (Note 23).

11 TRADE RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade receivables – third parties	**1,539,849**	1,482,931
Less: loss allowance	**(19,860)**	(25,474)
	1,519,989	1,457,457

(a) The majority of the Group's sales are derived from sales of properties and rental income. Proceeds in respect of sales of properties and rental income are to be received in accordance with the terms of related sales and purchase agreements and rental contracts.

The ageing analysis of trade receivables as at the respective balance sheet date is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 90 days	**1,330,017**	1,189,809
Over 90 days and within 180 days	**63,076**	83,186
Over 180 days and within 365 days	**91,778**	176,982
Over 365 days	**54,978**	32,954
	1,539,849	1,482,931

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2018, a provision of RMB19,860,000 was made against the gross amounts of trade receivables (2017: RMB25,474,000).

The closing loss allowance for trade receivables reconcile to the opening loss allowance as follows:

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
At 1 January	**25,474**	20,945
Provision for impairment	**1,538**	4,544
Receivables written off during the year as uncollectible	**(1,938)**	(15)
Unused amount reverse	**(5,214)**	–
At 31 December	**19,860**	25,474

(b) As at 31 December 2018 and 2017, the fair value of trade receivables approximated their carrying amounts.

(c) The Group's trade receivables are mainly denominated in RMB.

(d) The maximum exposure to credit risk of the trade receivables at the reporting date was the carrying value of each class of receivables. Except for those disclosed in Note 11(a), no material trade receivables were impaired or past due as at 31 December 2018 and 2017.

12 OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deposits for acquisition of land use rights	**83,000**	138,000
Other receivables from:	**14,649,697**	8,597,727
– Related parties (Note 39(d))	**8,456,228**	5,818,063
– Non-controlling interests	**4,261,886**	1,080,645
– Other amounts due from third parties	**1,931,583**	1,699,019
	14,732,697	8,735,727

See Note 2.2 for the impact of the change in accounting policy following the adoption of HKFRS 9 on the classification of financial assets and Note 2.11 for the remaining relevant accounting policies.

(a) The Group's other receivables are mainly denominated in RMB.

(b) Included in other receivables from related parties, there are amounts due from the joint ventures of approximately RMB1,488,173,000 (2017: RMB2,100,013,000) bearing interest at average rate of 7.76% per annum (2017: 6.30%), which are repayable within one year from 31 December 2018.

(c) Other receivables from third parties mainly consist of deposits for construction projects. No material other receivables were impaired or past due as at 31 December 2018 and 2017.

(d) The carrying amounts of other receivables approximate their fair values.

13 PREPAYMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current portion		
Acquisition of land use rights (Note (a))	**1,861,210**	4,011,838
Construction materials – third parties	**153,407**	137,567
	2,014,617	4,149,405
Non-current portion		
Investments in property development projects	**–**	1,207,135
	2,014,617	5,356,540

(a) Payments on land acquisitions will be made in accordance with the payment terms as stipulated in the land acquisition contracts. The land acquisition costs which are contracted but not provided for are included in commitments (Note 38(a)).

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets at fair value through profit or loss (FVPL): equity investments that are held for trading, and equity investments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Opening amounts as at 1 January	**28,953**	27,003
Adjustment on opening balance-reclassified from available-for-sale financial asset (Note 2.2)	**120,257**	–
Additions	**140,611**	–
Fair value gains	**7,744**	15,089
Disposals	**–**	(13,139)
Closing amounts as at 31 December	**297,565**	28,953

FVPL comprise the following individual investments:

	31 December	
	2018 **RMB'000**	2017 RMB'000
Hong Kong listed equity securities	**155,189**	28,953
Investment fund	**142,376**	–
	297,565	28,953

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

Analysis of the sensitivity of the assets to foreign exchange, price and interest rate risk is set out in Note 3.1.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Classification and measurement

Financial assets at fair value through other comprehensive income (FVOCI) comprise: equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Opening amounts as at 1 January	**462,507**	413,250
Adjustment on opening balance-reclassified to FVPL (Note 2.2)	**(120,257)**	–
Additions	**6,000**	9,000
Net gains recognised in other comprehensive income	**211**	40,257
Closing amounts as at 31 December	**348,461**	462,507

Equity investments at FVOCI comprise the following individual investments:

	31 December	
	2018 RMB'000	2017 RMB'000
Non-current unlisted securities:		
– Unlisted insurance company (Note (i))	**333,528**	333,250
– Unlisted real estate agency company	**–**	120,257
– Unlisted fund investments	**14,933**	9,000
	348,461	462,507

(i) In 2015, the Group invested a total sum of RMB307,200,000 in an unlisted insurance company in the PRC for its 5% equity interest. As at 31 December 2018, the fair value of this 5% equity interest was derived by using the income approach based on present value techniques.

(b) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 3.3.

These financial assets were not past due or impaired as of 31 December 2018 and 2017.

Analysis of the sensitivity of the assets to foreign exchange, price and interest rate risk is set out in Note 3.1.

The maximum exposure to credit risk at the reporting date is the carrying value of FVPL and FVOCI. There are no commitment or contingent liabilities relating to the Group's interests in these unlisted companies.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

There was no associate nor joint venture of the Group as at 31 December 2018 which, in the opinion of the executive directors, are material to the Group. For those individually immaterial associates and joint ventures that are accounted for using the equity method, amounts recognised in the consolidated balance sheet and the profit or loss are set out as below:

The amounts recognised in the balance sheet are as follows:

	31 December	
	2018 **RMB'000**	2017 RMB'000
Non-current portion:		
Investments in joint ventures	**3,151,990**	3,602,736
Investments in associates	**975,453**	584,407
	4,127,443	4,187,143

The profit/(loss) recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Joint ventures (Note (a))	**102,767**	223,863
Associates (Note (b))	**84,467**	(26,504)
	187,234	197,359

(a) Joint ventures

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
At 1 January	**3,602,736**	2,276,948
Additions	**38,896**	1,191,422
Additions from consolidation	**–**	278,479
Transfer to subsidiaries (Note 41)	**(597,010)**	(306,954)
Disposal	**–**	(2,280)
Currency translation differences	**15,079**	(16,258)
Share of profits – net	**102,767**	223,863
Elimination of unrealised profits	**(10,478)**	(42,484)
At 31 December	**3,151,990**	3,602,736

The contingent liabilities relating to the Group's financial guarantee provided for the joint ventures are disclosed in Note 37. There is no commitment relating to the Group's interests in the joint ventures.

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**584,407**	328,152
Additions	**328,118**	292,880
Share of profit/(losses) – net	**84,467**	(26,504)
Transfer to a subsidiary	**–**	(2,482)
Elimination of unrealised profits	**(21,539)**	(7,639)
At 31 December	**975,453**	584,407

There is no commitment relating to the Group's interests in the associates.

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets

	31 December	
	2018 RMB'000	2017 RMB'000
Financial assets at amortised cost:	**32,028,397**	20,155,479
Trade receivables	**1,519,989**	1,457,457
Other receivables	**14,732,697**	8,735,727
Restricted cash	**935,935**	575,538
Cash and cash equivalents	**14,839,776**	9,386,757
FVOCI	**348,461**	–
FVPL	**297,565**	28,953
Available-for-sale financial assets	**–**	462,507
	32,674,423	20,646,939

Financial liabilities

	31 December	
	2018 RMB'000	2017 RMB'000
Financial liabilities at amortised cost:		
Borrowings	**47,357,628**	35,535,868
Convertible bonds	**1,743,638**	–
Trade and other payables excluding other taxes and payroll payables	**20,511,023**	16,575,279
	69,612,289	52,111,147

18 RESTRICTED CASH

	31 December 2018 RMB'000	31 December 2017 RMB'000
Guarantee deposits for construction projects (Note (a))	**382,595**	210,740
Guarantee deposits for bank acceptance notes (Note (b))	**1,153**	24,482
Guarantee deposits for bank borrowings (Note (c))	**524,789**	312,000
Others	**27,398**	28,316
	935,935	575,538
Denominated in:		
– RMB	**935,935**	573,503
– US$	**–**	1,972
– HK$	**–**	63
	935,935	575,538

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place certain amount of presale proceeds of properties at designated bank accounts as guarantee deposits for constructions of related properties. The deposits can only be used for purchases of construction materials and payments of construction fee of the relevant property projects when approval from the local State-Owned Land and Resource Bureau is obtained. The remaining balances of the deposits will be released after completion of related pre-sold properties or issuance of the real estate ownership certificate of the properties, whichever is the earlier.

(b) As at 31 December 2018, the Group has placed cash deposits of approximately RMB1,153,000 (2017: RMB24,482,000) with designated banks as guarantee for the issuance of bank acceptance notes.

(c) As at 31 December 2018, the Group has placed cash deposits of approximately RMB524,789,000 (2017: RMB312,000,000) with designated banks as security for bank borrowings.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

19 CASH AND CASH EQUIVALENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash at bank and in hand:		
– Denominated in RMB	**14,810,786**	9,090,038
– Denominated in HK$	**21,669**	111,298
– Denominated in US$	**7,321**	185,421
	14,839,776	9,386,757

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

20 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for Share Award Scheme RMB'000	Total RMB'000
Authorised:					
As at 1 January 2017, 31 December 2017 and 31 December 2018	30,000,000,000				
Issued and fully paid:					
As at 1 January 2018	3,997,303,000	35,486	2,030,676	–	2,066,162
Dividends (Note 35)	–	–	(902,037)	–	(902,037)
As at 31 December 2018	3,997,303,000	35,486	1,128,639	–	1,164,125
As at 1 January 2017	3,997,303,000	35,486	2,726,786	(79,226)	2,683,046
Dividends	–	–	(735,023)	–	(735,023)
Vested and transferred to eligible employees	–	–	(3,105)	11,844	8,739
Termination of share award scheme	–	–	42,018	67,382	109,400
As at 31 December 2017	3,997,303,000	35,486	2,030,676	–	2,066,162

21 OTHER RESERVES

	Merger reserve RMB'000 (Note (a))	Other reserves RMB'000 (Note (c))	Statutory reserves RMB'000 (Note (b))	Share-based compensation reserve RMB'000	Revaluation reserves RMB'000 (Note(c))	Transaction with non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017 as originally presented	**337,203**	**(16,258)**	**56,696**	**–**	**277,735**	**1,606**	**656,982**
Adjustment on adoption of HKFRS 9, net of tax (Note 2.2)	**–**	**–**	**–**	**–**	**(30,193)**	**–**	**(30,193)**
Balance at 1 January 2018	**337,203**	**(16,258)**	**56,696**	**–**	**247,542**	**1,606**	**626,789**
Change in fair value of FVOCI, net of tax	**–**	**–**	**–**	**–**	**158**	**–**	**158**
Appropriation to statutory reserves	**–**	**–**	**39,050**	**–**	**–**	**–**	**39,050**
Currency translation differences	**–**	**15,079**	**–**	**–**	**–**	**–**	**15,079**
Balance at 31 December 2018	**337,203**	**(1,179)**	**95,746**	**–**	**247,700**	**1,606**	**681,076**
Balance at 1 January 2017	337,203	–	53,686	7,988	247,542	8,481	654,900
Share Award Scheme – value of employee services	–	–	–	751	–	–	751
Share Award Scheme – transfer of vested shares under Share Award Scheme to the staff	–	–	–	(8,739)	–	–	(8,739)
Change in value of available-for-sale financial assets, net of tax	–	–	–	–	30,193	–	30,193
Appropriation to statutory reserves	–	–	3,010	–	–	–	3,010
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	–	(6,875)	(6,875)
Currency translation differences	–	(16,258)	–	–	–	–	(16,258)
Balance at 31 December 2017	337,203	(16,258)	56,696	–	277,735	1,606	656,982

(a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company from the controlling shareholders less the consideration paid to the controlling shareholders pursuant to the reorganisation undertaken in 2007 for preparation of listing of the Company on the Stock Exchange.

21 OTHER RESERVES (CONTINUED)

(b) Statutory reserves

Pursuant to the relevant laws and regulations in the PRC and the provision of the articles of association of the Group's subsidiaries, the Group's subsidiaries which are registered in the PRC shall appropriate certain percentage of profit after tax (after offsetting any accumulated losses brought forward from prior years) calculated under the accounting principles generally applicable to the PRC enterprises to reserve funds. Depending on the natures, the reserve funds can be used to set off accumulated losses of the subsidiaries or distribute to owners in form of bonus issue.

(c) Other comprehensive income

	Year ended 31 December 2018		
	Other reserves RMB'000	**Revaluation reserves RMB'000**	**Total other comprehensive income RMB'000**
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences (Note 16(a))	**15,079**	**–**	**15,079**
Items that will not be reclassified subsequently to profit or loss:			
Fair value gains on FVOCI – gross (Note 15)	**–**	**211**	**211**
Tax charge – deferred income tax	**–**	**(53)**	**(53)**
Total other comprehensive income – net of tax	**15,079**	**158**	**15,237**

	Year ended 31 December 2017		
	Other reserves RMB'000	Revaluation reserves RMB'000	Total other comprehensive income RMB'000
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on available-for-sale financial assets – gross (Note 15)	–	40,257	40,257
Tax charge – deferred income tax	–	(10,064)	(10,064)
Currency translation differences (Note 16(a))	(16,258)	–	(16,258)
Total other comprehensive income – net of tax	(16,258)	30,193	13,935

Financial assets at FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Available-for-sale financial assets – until 31 December 2017

Changes in the fair value and exchange differences arising on translation of investments that were classified as available-for-sale financial assets (e.g. equity investments), were recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts were reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy Note 2.11 for details.

22 PERPETUAL CAPITAL INSTRUMENTS

	Principal RMB'000	Distribution RMB'000	Total RMB'000
Balance as at 1 January 2018	**1,690,400**	**31,963**	**1,722,363**
Issuance of Perpetual Capital Instruments	**546,000**	**–**	**546,000**
Redemption of Perpetual Capital Instruments	**(690,400)**	**–**	**(690,400)**
Profit attributable to holders of Perpetual Capital Instruments	**–**	**123,045**	**123,045**
Distribution to holders of Perpetual Capital Instruments	**–**	**(148,754)**	**(148,754)**
Balance as at 31 December 2018	**1,546,000**	**6,254**	**1,552,254**
Balance as at 1 January 2017	1,700,000	30,075	1,730,075
Issuance of Perpetual Capital Instruments	1,161,500	–	1,161,500
Redemption of Perpetual Capital Instruments	(1,171,100)	–	(1,171,100)
Profit attributable to holders of Perpetual Capital Instruments	–	117,017	117,017
Distribution to holders of Perpetual Capital Instruments	–	(115,129)	(115,129)
Balance as at 31 December 2017	1,690,400	31,963	1,722,363

The Perpetual Capital Instruments do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Instruments are classified as equity instruments and recorded as part of equity in the consolidated balance sheet.

23 BORROWINGS

	31 December	
	2018 RMB'000	2017 RMB'000
Borrowings included in non-current liabilities:		
Senior notes	**7,529,298**	5,566,933
– senior notes due September 2021 ("2021 Notes I") (Note (a)(i))	**1,362,109**	1,285,452
– senior notes due April 2021 ("2021 Notes II") (Note (a)(ii))	**2,395,044**	–
– senior notes due July 2020 ("2020 Notes") (Note (a)(iii))	**3,772,145**	1,975,170
– senior notes due November 2018 ("2018 Notes") (Note (a)(iv))	**–**	2,306,311
Corporate bonds (Note (b))	**9,202,345**	11,546,494
Bank borrowings (Note (c))	**23,836,141**	13,421,920
– secured	**23,678,425**	13,421,920
– unsecured	**157,716**	–
Other borrowings – secured (Note (d))	**3,399,400**	2,737,751
Less: current portion of non-current borrowings	**(9,586,776)**	(7,493,090)
	34,380,408	25,780,008
Borrowings included in current liabilities:		
Bank borrowings – secured (Note (c))	**2,184,344**	2,262,770
Other borrowings – secured (Note (d))	**906,100**	–
Short-term commercial papers	**300,000**	–
Current portion of long-term borrowings	**9,586,776**	7,493,090
	12,977,220	9,755,860
Total borrowings	**47,357,628**	35,535,868

23 BORROWINGS (CONTINUED)

(a) Senior notes

(i) *2021 Notes I*

On 15 September 2016, the Company issued 4.875%, five years senior notes, with an aggregated principal amount of US$200,000,000 at 99.018% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$195,006,519 (equivalent to approximately RMB1,304,496,000). The 2021 Notes I is denominated in US$.

The 2021 Notes I recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At 1 January	**1,285,452**	1,364,131
Interest expense and amortisation of issuance costs	**70,970**	70,446
Repayment of interest	**(63,667)**	(65,045)
Foreign exchange losses/(gains) – net	**69,354**	(84,080)
At 31 December	**1,362,109**	1,285,452

(ii) *2021 Notes II*

On 17 April 2018, the Company issued 6.95%, three years senior notes, with an aggregated nominal value of US$350,000,000 at 99.204% discount to face value. The net proceeds, after deducting the issuance costs, amounted to US$342,300,000 (equivalent to approximately RMB2,158,882,000). The 2021 Notes II are denominated in US$.

The 2021 Notes II recognised in the balance sheet are calculated as follows:

	Year ended 31 December
	2018
	RMB'000
Fair value at the date of issuance	**2,158,882**
Interest expense and amortisation of issuance costs	**119,020**
Repayment of interest	**(84,065)**
Foreign exchange losses – net	**201,207**
At 31 December	**2,395,044**

(iii) *2020 Notes*

On 19 July 2017, the Company issued 5.95%, three years senior notes, with an aggregated nominal value of US$200,000,000 at 99.191% discount to face value; on 28 July 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$100,000,000 at 99.196% discount of the face value (the "Existing Notes"). The net proceeds, after deducting the issuance costs, amounted to US$294,698,861 (equivalent to approximately RMB1,987,774,000).

On 8 August 2018, the Company issued 5.95%, two years senior notes, with an aggregated nominal value of US$250,000,000 at 94.702% discount to face value (the "New Notes" and together with the Existing Notes, the "2020 Notes"). The terms and conditions for the New Notes are the same as those for the Existing Notes in all respects except for the issue date and issue price. The net proceeds, after deducting the issuance costs, amounted to US$234,500,000 (equivalent to approximately RMB1,616,114,000). The 2020 Notes is denominated in US$.

23 BORROWINGS (CONTINUED)

(a) Senior notes (continued)

(iii) 2020 Notes (continued)

The 2020 Notes recognised in the balance sheet are calculated as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January/at issuance date	**1,975,170**	1,987,774
Addition	**1,616,114**	–
Interest expense and amortisation of issuance costs	**200,571**	59,387
Repayment of interest	**(117,057)**	–
Foreign exchange losses/(gains) – net	**97,347**	(71,991)
At 31 December	**3,772,145**	1,975,170

(iv) 2018 Notes

On 26 November 2015, the Company issued 7.625%, three years senior notes, with an aggregated principal amount of US$200,000,000 at 99.017% discount to face value. On 26 November 2017, the Company issued an additional senior notes in the same terms with an aggregate principal amount of US$150,000,000 at 102.278% of the face value. The Company has repaid the 2018 Notes in 2018.

The above senior notes are guaranteed by certain subsidiaries and non-PRC joint ventures and secured by pledges of the shares of these subsidiaries and non-PRC joint ventures.

(b) Corporate bonds

The corporate bonds recognised in the balance sheet consisted of:

	Year ended 31 December 2018				Year ended 31 December 2017
	Panda bonds Note (i) RMB'000	**Asset-backed securities Note (ii) RMB'000**	**PRC corporate bonds Note (iii) RMB'000**	**Total RMB'000**	Total RMB'000
At 1 January	**4,112,224**	**1,734,101**	**5,700,169**	**11,546,494**	12,870,865
Additions	**–**	**–**	**994,850**	**994,850**	994,340
Interest expense and amortisation of issuance costs	**240,813**	**94,221**	**351,767**	**686,801**	763,349
Repayment of principal	**(1,100,000)**	**(960,000)**	**(1,267,697)**	**(3,327,697)**	(2,039,455)
Repayment of interest	**(242,100)**	**(111,063)**	**(344,940)**	**(698,103)**	(1,042,605)
At 31 December	**3,010,937**	**757,259**	**5,434,149**	**9,202,345**	11,546,494

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(i) *Panda bonds*

On 3 August 2016, the Company issued 6.8% two-year corporate bonds with an aggregated principal amount of RMB300,000,000 at 100% of the face value. The Company has repaid the Panda bonds in 2018.

On 24 November 2016, the Company issued 5.85% three-year panda bonds and 4.98% two-year corporate bonds with an aggregated principal amount of RMB3,500,000,000 at 100% of the face value. The Company redeemed the matured 4.98% two-year corporate bonds with the principal amount of RMB500,000,000.

On 28 December 2015, the Company issued 7.30% three-year panda bonds with an aggregated principal amount of RMB300,000,000 at 100% of the face value. The Company has repaid the Panda bonds in 2018.

(ii) *Asset-backed securities*

On 8 April 2016, a PRC subsidiary of the Group issued an asset-backed securities ("ABS") in the principal amount of RMB600,000,000, with a term of three years and bearing an interest ranging from 5.30% to 7.00% per annum and the principal is repayable by instalments, amongst which RMB50,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB544,000,000.

On 21 March 2017, the PRC subsidiary of the Company redeemed part of the ABS with the principal amount of RMB140,000,000. On 20 March 2018 and 24 August 2018, the PRC subsidiary of the Company redeemed the rest of the ABS with an aggregate principal amount of RMB410,000,000.

The ABS was pledged by the Group's rights of receipt of certain rental and property management fees.

On 11 November 2016, a PRC subsidiary of the Group issued another ABS in the principal amount of RMB1,700,000,000, with a term of three years and bearing an interest ranging from 3.90% to 5.50% per annum and the principal is repayable by instalments, amongst which RMB100,000,000 was subordinate securities subscribed by the PRC subsidiary. The proceeds from the ABS, after net of the issuance costs and the subordinate securities subscribed by the PRC subsidiary, amounted to approximately RMB1,593,125,000.

On 31 October 2017, the PRC subsidiary of the Company redeemed the first instalment of the ABS with the principal amount of RMB300,000,000. On 29 October 2018, the PRC subsidiary of the Company redeemed the second installment of the ABS with the principal amount of RMB550,000,000.

The ABS was pledged by the Group's certain investment properties and rights over certain receivables arising from sales of the Group's properties.

23 BORROWINGS (CONTINUED)

(b) Corporate bonds (continued)

(iii) PRC Corporate bonds

On 4 December 2015, a PRC subsidiary of the Group issued 7.50%, five-year PRC non-public corporate bonds with an aggregated principal amount of RMB500,000,000 at 100% of the face value. The PRC subsidiary redeemed the corporate bonds with the principal amount of RMB500,000,000 in 2018.

On 19 January 2016, a PRC subsidiary of the Group issued 6.20%, three-year PRC corporate bond with an aggregated principal amount of RMB2,700,000,000 at 100% of the face value.

On 8 March 2016, a PRC subsidiary of the Group issued 6.00%, three-year PRC corporate bond with an aggregated principal amount of RMB500,000,000 at 100% of the face value.

On 25 August 2016, a PRC subsidiary of the Group issued 5.25%, two-year PRC corporate bond with an aggregated principal amount of RMB800,000,000 at 100% of the face value. The PRC subsidiary redeemed the corporate bonds with the principal amount of RMB767,697,500 in 2018.

On 29 August 2017, a PRC subsidiary of the Group issued 6.80%, three-year PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

On 13 December 2018, a PRC subsidiary of the Group issued 7.5%, three-year PRC corporate bond with an aggregated principal amount of RMB1,000,000,000 at 100% of the face value.

(c) Bank borrowings

As at 31 December 2018, bank borrowings of RMB25,862,769,000 (2017: RMB15,684,690,000) were secured by property and equipment (Note 6), land use rights (Note 7), investment properties (Note 8), properties under development (Note 9), completed properties held for sale (Note 10) and restricted cash (Note 18); the secured bank borrowings of RMB3,502,866,000 (2017: RMB2,399,356,000) were additionally guaranteed by certain related parties (Note 39(b)(ii)).

(d) Other borrowings

As at 31 December 2018, borrowings from other financial institutions of RMB4,305,500,000 (2017: RMB2,737,751,000) were secured by land use rights (Note 7), investment properties (Note 8), properties under development (Note 9) and completed properties held for sale (Note 10).

23 BORROWINGS (CONTINUED)

(e) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	6–12 months RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2018	3,848,980	7,583,337	21,352,591	1,595,500	34,380,408
At 31 December 2017	2,229,569	8,741,633	13,686,056	1,122,750	25,780,008
Borrowings included in current liabilities:					
At 31 December 2018	4,049,056	8,928,164	–	–	12,977,220
At 31 December 2017	2,493,326	7,262,534	–	–	9,755,860

(f) The carrying amounts and fair value of the non-current borrowings are as follows:

	31 December 2018		31 December 2017	
	Carrying amount RMB'000	**Fair Value RMB'000**	Carrying amount RMB'000	Fair Value RMB'000
2021 Notes I (Note (i))	**1,342,493**	**1,188,596**	1,266,851	1,247,877
2021 Notes II (Note (i))	**2,360,739**	**2,247,904**	–	–
2020 Notes (Note (i))	**3,670,615**	**3,297,424**	1,922,656	1,936,384
Corporate bonds (Note (ii))	**5,051,961**	**5,230,378**	8,144,218	8,141,728
Bank borrowings (Note (iii))	**18,959,520**	**18,959,520**	12,093,225	12,093,225
Other borrowings (Note (iii))	**2,995,080**	**2,995,080**	2,353,058	2,353,058
	34,380,408	**33,918,902**	25,780,008	25,772,272

Notes:

(i) The fair values were determined directly by references to the price quotations published by Singapore Stock Exchange Limited on 31 December 2018 and 2017, using the pricing of dealing date and were within level 1 of the fair value hierarchy.

(ii) The fair values of public bonds were determined by reference to the price quotations published on the last trading day of the year ended 31 December 2018 and were within level 1 of the fair value hierarchy. The fair values of non-public bonds were estimated based on cash flow discounted at the borrowing rate and were within level 2 of the fair value hierarchy.

(iii) The fair values were estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet date and were within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

(g) The effective interest rates of borrowings are as follows:

	31 December 2018	31 December 2017
Senior notes	**6.84%**	7.78%
Corporate bonds	**6.60%**	6.49%
Bank and other borrowings	**6.54%**	5.81%
Short-term commercial papers	**6.62%**	–

(h) The maturity of the borrowings is as follows:

	Senior notes RMB'000	Corporate bonds RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Total RMB'000
As at 31 December 2018					
Within 1 year	**155,451**	**4,450,385**	**7,060,964**	**1,310,420**	**12,977,220**
1–2 years	**3,670,615**	**1,991,837**	**8,062,639**	**2,995,080**	**16,720,171**
2–5 years	**3,703,232**	**3,060,123**	**7,269,342**	**–**	**14,032,697**
Over 5 years	**–**	**–**	**3,627,540**	**–**	**3,627,540**
	7,529,298	**9,502,345**	**26,020,485**	**4,305,500**	**47,357,628**
As at 31 December 2017					
Within 1 year	2,377,426	3,402,277	3,591,464	384,693	9,755,860
1–2 years	–	7,149,264	3,899,104	1,772,768	12,821,136
2–5 years	3,189,507	994,953	5,721,722	580,290	10,486,472
Over 5 years	–	–	2,472,400	–	2,472,400
	5,566,933	11,546,494	15,684,690	2,737,751	35,535,868

(i) As at 31 December 2018 and 2017, the Group had the following undrawn borrowing facilities:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Floating rate:		
– expiring within 1 year	**700,000**	–
– expiring beyond 1 year	**3,479,133**	3,054,855
Fixed rate:		
– expiring within 1 year	**640,000**	–
	4,819,133	3,054,855

24 CONVERTIBLE BONDS

On 13 February 2018, the Company issued convertible bonds with a zero coupon rate with an initial conversion price of HK$5.4463 each in an aggregate principal amount of HK$1,990,000,000 (the "Convertible Bonds"). The Convertible Bonds are denominated in HK$. The net proceeds from the subscription of the Convertible Bonds, after deduction of commission and expenses, amounted to approximately HK$1,964,000,000 (equivalent to approximately RMB1,589,328,000).

The bonds' holders are entitled to convert them into ordinary shares of the Company at any time between the date of issue of the Convertible Bonds and maturity date on 11 February 2019 (the "Conversion Option"). The Conversion Option is not closely related to the host debt and is classified as a derivative liability. As at 31 December 2018, the carrying amount of the host debt was RMB1,743,638,000 and the fair value of the conversion option was zero.

This Convertible Bonds were subsequently fully redeemed on 11 February 2019 on the face value with 2.75% yield to maturity.

25 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
To be realised after more than 12 months	**327,691**	241,394
To be realised within 12 months	**171,652**	126,448
	499,343	367,842
Deferred income tax liabilities:		
To be realised after more than 12 months	**(5,201,896)**	(4,539,257)
To be realised within 12 months	**(928,294)**	(194,514)
	(6,130,190)	(4,733,771)
	(5,630,847)	(4,365,929)

The net movements on the deferred income tax are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
At 1 January	**(4,365,929)**	(3,681,528)
Recognised in income tax expense (Note 33)	**(212,247)**	(242,448)
Tax charge relating to components of other comprehensive income (Note 21(c))	**(53)**	(10,064)
Consolidations of entities previously held as joint ventures (Note 41)	**(1,052,618)**	(522,860)
Disposal of a subsidiary	**–**	90,971
At 31 December	**(5,630,847)**	(4,365,929)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

	Temporary difference on unrealised profit of inter-company transactions RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2018	**229,690**	**231,079**	**460,769**
Credited to the income tax expense	**14,055**	**255,907**	**269,962**
At 31 December 2018	**243,745**	**486,986**	**730,731**
At 1 January 2017	229,962	218,997	448,959
(Charged)/credited to the income tax expense	(272)	14,474	14,202
Disposal of a subsidiary	–	(2,392)	(2,392)
At 31 December 2017	229,690	231,079	460,769

Deferred income tax liabilities

	Excess of carrying amount of land use right over the tax bases RMB'000	Temporary difference on unrealised profit of inter-company transactions RMB'000	Temporary difference on revaluation gains of investment properties RMB'000	Temporary difference on revaluation of FVOCI (2017: available-for-sale financial assets) RMB'000	Total RMB'000
At 1 January 2018	**(123,923)**	**(4,778)**	**(4,603,891)**	**(94,106)**	**(4,826,698)**
Consolidations of entities previously held as joint ventures (Note 41)	**(1,052,618)**	**–**	**–**	**–**	**(1,052,618)**
Tax credited/(charged) to the income tax expense	**140,323**	**(715)**	**(621,817)**	**–**	**(482,209)**
Tax charge relating to components of other comprehensive income	**–**	**–**	**–**	**(53)**	**(53)**
At 31 December 2018	**(1,036,218)**	**(5,493)**	**(5,225,708)**	**(94,159)**	**(6,361,578)**
At 1 January 2017	–	(4,413)	(4,042,032)	(84,042)	(4,130,487)
Consolidations of entities previously held as joint ventures	(428,955)	–	(93,905)	–	(522,860)
Tax credited/(charged) to the income tax expense	305,032	(365)	(561,317)	–	(256,650)
Tax charge relating to components of other comprehensive income	–	–	–	(10,064)	(10,064)
Disposal of a subsidiary	–	–	93,363	–	93,363
At 31 December 2017	(123,923)	(4,778)	(4,603,891)	(94,106)	(4,826,698)

25 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities (continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB222,006,750 (2017: RMB180,446,000) in respect of losses amounting to RMB888,027,000 (2017: RMB721,784,000) that can be carried forward against future taxable income. The tax losses could be carried forward for a maximum of five years.

Tax losses will expire in the following years:

Year	RMB'000
2019	123,412
2020	109,827
2021	226,002
2022	78,827
2023	349,959
	888,027

Deferred income tax liabilities of RMB2,504,389,000 (2017: RMB2,186,590,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Unremitted earnings totalled RMB29,035,890,000 as at 31 December 2018 (2017: RMB24,893,158,000), as the Group does not have a plan to distribute these earnings out of the PRC.

26 TRADE AND OTHER PAYABLES

	31 December	
	2018 RMB'000	2017 RMB'000
Trade payables (Note (a))	**9,705,474**	7,156,449
– Related parties (Note 39(d))	**11,678**	18,839
– Third parties	**9,686,795**	7,107,328
– Notes payable – third parties	**7,001**	30,282
Other payables and accruals	**10,205,657**	8,580,273
– Related parties (Note 39(d))	**5,686,893**	4,508,599
– Non-controlling interests	**2,028,688**	1,872,266
– Third parties (Note (b))	**2,490,076**	2,199,408
Payables for retention fee	**683,152**	697,633
Payables for acquisition of land use rights	**56,981**	261,286
Other taxes payables	**280,591**	512,462
	20,931,855	17,208,103
Less: non-current portion		
Other payables - third parties	**(206,007)**	–
Current portion	**20,725,848**	17,208,103

26 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of trade payables as at 31 December 2018 and 2017 based on invoice date is as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Within 90 days	**6,317,246**	4,525,782
Over 90 days and within 180 days	**1,717,541**	804,875
Over 180 days and within 365 days	**866,463**	955,536
Over 365 days and within 3 years	**804,224**	870,256
	9,705,474	7,156,449

(b) Other payables mainly included deposits from property purchasers of the Group. These amounts are interest-free, unsecured and repayable on demand.

(c) The Group's trade and other payables are mainly denominated in RMB.

(d) The carrying amounts of trade and other payables approximate their fair values.

27 CONTRACT LIABILITIES

	31 December 2018 RMB'000
Contract liabilities	**16,444,184**

28 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities are analysed as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Current income tax liabilities		
– PRC corporate income tax payable	**3,490,138**	2,294,105
– Withholding income tax for the profits to be distributed from the group companies in the PRC	**–**	123,792
– PRC land appreciation tax payable	**3,151,967**	2,302,227
	6,642,105	4,720,124

29 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	**10,214,258**	8,824,583
Staff costs (including directors' emoluments)	**1,255,221**	959,117
Employee benefit expenditure – including directors' emoluments	**1,404,913**	1,055,434
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(149,692)**	(96,317)
Taxes and other levies	**218,886**	280,953
Advertising costs	**385,836**	291,571
Property management fees	**219,282**	187,922
Hotel operations expenses	**318,260**	296,718
Depreciation (Note 6)	**200,349**	159,372
Donations	**239,567**	58,778
Amortisation of land use rights (Note 7)	**33,117**	24,241
Auditor's remuneration	**7,950**	6,000
– Audit services	**5,600**	5,100
– Non-audit services	**2,350**	900
Office lease payments	**14,266**	5,618

30 STAFF COSTS

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Wages and salaries	**1,151,527**	866,891
Pension costs – statutory pension	**202,131**	146,638
Other staff welfare and benefits	**51,255**	41,154
Value of employee services under Share Award Scheme	**–**	751
	1,404,913	1,055,434
Less: capitalised in properties under development, investment properties under construction and construction in progress	**(149,692)**	(96,317)
	1,255,221	959,117

30 STAFF COSTS (CONTINUED)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year including four (2017: four) directors whose emoluments are reflected in the analysis presented in Note 43. The aggregate amounts of emoluments of the other one (2017: one) highest paid individuals for the year ended 31 December 2018 and 2017 are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages and salaries	**760**	720
Retirement scheme contributions	**96**	87
Housing allowance	**96**	96
	952	903

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands (in HK$)		
HK$1,000,000 to HK$1,500,000	**1**	1

(b) Pensions – defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income, with a maximum cap per employee per month.

31 OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Fair value gains on the remeasurement of investments in joint ventures	**11,846**	282,450
Interest income	**166,947**	158,931
Investment gain from derivative financial instruments	**–**	71,775
Fair value gains on financial assets at fair value through profit or loss	**7,744**	15,089
Gains on disposal of investment properties	**6,096**	14,756
Gains on disposal of financial assets at fair value through profit or loss	**–**	9,526
Dividend income of financial assets at fair value through profit or loss	**1,586**	1,949
Exchange losses – net (Note (a))	**(3,305)**	(3,391)
Others	**25,455**	7,089
	216,369	558,174

(a) Amount mainly represents the net losses on translation of foreign currency financial assets and liabilities from foreign currency into RMB at the prevailing year-end exchange rate. It does not include the exchange gain or loss of translation of borrowings which are included in the "Finance costs – net" (Note 32).

32 FINANCE COSTS – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Interest expense:		
Bank borrowings and other borrowings	**1,684,685**	967,825
Corporate bonds	**686,801**	763,350
Senior notes	**534,458**	292,313
Convertible Bonds	**39,491**	–
Short-term commercial papers	**12,917**	–
	2,958,352	2,023,488
Foreign exchange losses/(gains) on financing activities – net	**806,627**	(359,518)
Less: capitalised	**(2,388,320)**	(1,091,352)
	1,376,659	572,618

33 INCOME TAX EXPENSE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax:		
PRC corporate income tax	**1,485,982**	1,162,386
PRC land appreciation tax	**1,467,583**	701,850
	2,953,565	1,864,236
Deferred income tax:		
PRC corporate income tax	**292,393**	242,448
PRC land appreciation tax	**(80,146)**	173,756
	3,165,812	2,280,440

The tax charge on other comprehensive income has been disclosed in Note 21(c).

The income tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Profit before income tax	**6,813,461**	6,148,183
Calculated at applicable corporate income tax rate	**1,798,150**	1,721,418
Effect of expenses not deductible for income tax	**304,837**	92,443
Effect of income not subject to income tax	**(9,285)**	(160,492)
Share of profit of investments accounted for using the equity method	**(46,809)**	(49,340)
Tax losses for which no deferred income tax asset was recognised	**106,697**	44,526
Utilisation of tax losses previously not recognised	**(28,356)**	(24,819)
PRC land appreciation tax deductible for PRC corporate income tax purposes	**(346,859)**	(218,902)
	1,778,375	1,404,834
PRC land appreciation tax	**1,387,437**	875,606
	3,165,812	2,280,440

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the group entities located in Mainland China is 25%.

According to the Corporate Income Tax Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

33 INCOME TAX EXPENSE (CONTINUED)

PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Company and the Group did not have assessable profit in Hong Kong for the year. The profit of the group entities in Hong Kong is mainly derived from dividend income, which is not subject to Hong Kong profits tax.

34 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 for Share Award Scheme for year ended 31 December 2017).

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**2,837,007**	3,336,752
Weighted average number of ordinary shares in issue (thousand shares)	**3,997,303**	3,967,240
Basic earnings per share (RMB cents per share)	**70.973**	84.108

34 EARNINGS PER SHARE (CONTINUED)

(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. Convertible bonds and awarded shares granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from convertible bonds and awarded shares granted by the Company.

	Year ended 31 December	
	2018	2017
Profit attributable to owners of the Company (RMB'000)		
Used in calculating basic earnings per share	**2,837,007**	3,336,752
Add: interest expense on Convertible Bonds	**39,491**	–
Used in calculating diluted earnings per share	**2,876,498**	3,336,752
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)		
Used in calculating basic earnings per share	**3,997,303**	3,967,240
Adjustments:		
Convertible Bonds	**334,937**	–
Awarded shares under share awarded scheme	**–**	2,058
Used in calculating diluted earnings per share	**4,332,240**	3,969,298
Diluted earnings per share (RMB cents per share)	**66.397**	84.064

Convertible Bonds issued during the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The Convertible Bonds have not been included in the determination of basic earnings.

35 DIVIDENDS

The dividend paid in 2018 consists of (i) the payment of the 2017 final cash dividend of HK$19.6 cents per ordinary share totalling HK$783,471,000 (equivalent to RMB661,172,000) (2016 final dividend: HK$16.0 cents per ordinary share, amounting to RMB556,802,000, excluding the dividend of RMB5,508,000 payable to the Share Award Scheme Trust), and (ii) 2018 interim dividend of HK$6.8 cents per ordinary share in form of cash totalling HK$271,817,000 (equivalent to RMB240,865,000) (2017 interim dividend: HK$5.4 cents per ordinary share, amounting to RMB183,729,000).

The Board recommended the payment of a final dividend of HK$23.2 cents (equivalent to RMB20.3 cents based on the exchange rate of 28 December 2018) per ordinary share. Total amount of final dividend would be HK$927,374,000 (equivalent to approximately RMB812,565,000) which is calculated according to the ordinary shares in issue as of 31 December 2018. Such dividend is subject to approval by the shareholders at the Annual General Meeting on 18 June 2019. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Proposed final dividends	**812,565**	654,911

36 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**6,813,461**	6,148,183
Adjustments for:		
Depreciation (Note 6)	**200,349**	159,372
Amortisation of land use rights recognised as expense (Note 7)	**33,117**	24,241
Fair value gains on investment properties – net (Note 8)	**(2,500,520)**	(2,135,356)
Share of profit of investments accounted for using the equity method (Note 16)	**(187,234)**	(197,359)
Amortisation of Share Award Scheme	**–**	751
Other income and gains-net (Note 31)	**(216,369)**	(558,174)
Finance costs – net (Note 32)	**1,376,659**	572,618
Changes in operating capital:		
Properties under development and completed properties held for sale	**(13,990,830)**	(508,665)
Restricted cash	**(147,608)**	273,895
Trade and other receivables	**441,263**	1,104,547
Contract assets	**(6,967)**	–
Prepayments	**2,141,468**	(2,717,775)
Financial assets at FVPL	**–**	22,665
Trade and other payables	**(1,658,989)**	2,369,947
Contract liabilities (2017: Advances from customers)	**12,625,491**	(254,779)
Cash generated from operation	**4,923,291**	4,304,111

36 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

	Loan from related parties RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Convertible bonds RMB'000	Total RMB'000
Net debt as at 1 January 2018	4,527,438	9,755,860	25,780,008	–	40,063,306
Cash flows	2,457,129	(149,506)	10,297,398	1,609,433	14,214,454
Repayment of interest	–	(1,064,398)	–	–	(1,064,398)
Consolidations of entities previously held as joint ventures (Note 41)	–	–	810,000	–	810,000
Foreign exchange adjustments	–	66,954	640,052	134,205	841,211
Reclassification	–	4,288,436	(4,288,436)	–	–
Other non-cash movements (Note (i))	(1,285,996)	79,874	1,141,386	–	(64,736)
Net debt as at 31 December 2018	5,698,571	12,977,220	34,380,408	1,743,638	54,799,837

	Loan from related parties RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2017	3,130,361	7,536,083	22,490,090	33,156,534
Cash flows	2,642,439	(2,086,904)	7,159,522	7,715,057
Repayment of interest	–	(1,261,865)	–	(1,261,865)
Consolidations of entities previously held as joint ventures	–	320,000	665,000	985,000
Disposal of subsidiary	–	(8,000)	(202,000)	(210,000)
Foreign exchange adjustments	–	(164,132)	(84,080)	(248,212)
Reclassification	–	5,346,072	(5,346,072)	–
Other non-cash movements (Note (i))	(1,245,362)	74,606	1,097,548	(73,208)
Net debt as at 31 December 2017	4,527,438	9,755,860	25,780,008	40,063,306

(i) Other non-cash movements mainly comprise: i) the elimination of the loans from joint ventures after the joint ventures were changed to subsidiaries of the Group during the year, and ii) interest expenses and amortisation of issuance costs of senior notes and corporate bonds.

37 FINANCIAL GUARANTEE CONTRACTS

The face value of the financial guarantees issued by the Group is analysed as below:

	31 December 2018 RMB'000	2017 RMB'000
Guarantees given to banks for mortgage facilities granted to purchasers of the Group's properties (Note (a))	**15,662,393**	11,378,429
Guarantees for borrowings of joint ventures (Note (b))	**822,500**	1,519,000
	16,484,893	12,897,429

37 FINANCIAL GUARANTEE CONTRACTS (CONTINUED)

(a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of 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 take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore the fair value of these financial guarantees is immaterial.

(b) It represents guarantees provided to joint ventures to obtain borrowings. The Directors consider that the fair value of these contracts at the date of inception was minimal, the repayment was on schedule and risk of default in payment was remote, therefore no provision has been made in the financial statements for the guarantees.

38 COMMITMENTS

(a) Commitments for property development expenditures

	31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
Properties development activities	**7,663,384**	4,132,025
Acquisition of land use rights	**1,311,565**	46,660
	8,974,949	4,178,685

(b) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December	
	2018 RMB'000	2017 RMB'000
Within one year	**58,789**	5,249
Later than one year and not later than five years	**54,573**	965
Later than five years	**7,000**	–
	120,362	6,214

39 RELATED PARTY TRANSACTIONS

(a) Name and relationship with significant related parties

Name	Relationship
Skylong Holdings Limited	The ultimate holding company of the Company (incorporated in Cayman Islands)
Mr. Hoi Kin Hong	The ultimate controlling shareholder and also the director of the Company
The Controlling Shareholders, including Ms. Wong Lai Chan, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan	A close family member of ultimate controlling shareholder, Mr. Hoi Wa Fong and Ms. Hoi Wa Fan are also the directors of the Company
Sky Infinity Holdings Limited	Shareholder of the Company and fully owned subsidiary of Mr. Hoi Kin Hong
Powerlong Group Development Co., Ltd. 寶龍集團發展有限公司	Controlled by the ultimate Controlling Shareholder
Xiamen Powerlong Information Industry Co., Ltd. 廈門寶龍信息產業發展有限公司	Controlled by the ultimate Controlling Shareholder
Fuzhou Powerlong Amusement Management Company Limited 福州寶龍樂園遊樂有限公司	Controlled by the ultimate Controlling Shareholder
Qingdao Powerlong Amusement Management Company Limited 青島寶龍樂園旅遊文化發展有限公司	Controlled by the ultimate Controlling Shareholder
Fujian Ping An Security Devices and Network Limited 福建平安報警網絡有限公司	Controlled by the ultimate Controlling Shareholder
Great Merchant Limited 弘商有限公司	Controlled by the ultimate Controlling Shareholder
Tianjin Powerlong Jinjun Real Estate Co., Ltd. 天津寶龍金駿房地產開發有限公司	Joint venture of the Group
Hangzhou Xiaoshan Powerlong Property Co., Ltd. 杭州蕭山寶龍置業有限公司	Joint venture of the Group
Baohui Real Estate (Hong Kong) Holdings Limited 寶匯地產(香港)控股有限公司	Joint venture of the Group
Shanghai Xingwan Property Co., Ltd. 上海興萬置業有限公司	Joint venture of the Group
Shanghai Xuting Property Co., Ltd. 上海旭亭置業有限公司	Joint venture of the Group
Powerlong Golden Wheel Coral Company Limited 寶龍金輪珊瑚有限公司	Joint venture of the Group
Tianjin Shunji Real Estate Development Co., Ltd. 天津順集置業有限公司	Joint venture of the Group
Ningbo Powerlong Huafeng Real Estate Development Co., Ltd. 寧波寶龍華灃置業發展有限公司	Joint venture of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship with significant related parties (continued)

Name	Relationship
Shanghai Baozhan Real Estate Development Co., Ltd. 上海寶展房地產開發有限公司	Joint venture of the Group
Nanjing Weirun Real Estate Development Co., Ltd. 南京威潤房地產開發有限公司	Joint venture of the Group
Zhangzhou Baolong Yingju Real Estate Co., Ltd. 漳州寶龍英聚房地產有限公司	Joint venture of the Group
Ningbo Youngor New Longland Real Estate Development Co., Ltd. 寧波雅戈爾新長島置業有限公司	Joint venture of the Group
Shanghai Mijie Property Management Co., Ltd. 上海芈傑企業管理有限公司	Joint venture of the Group
Shanghai Duxuan Enterprise Management Co., Ltd. 上海都絢企業管理有限公司	Joint venture of the Group
Tianjin Yujing City Real Estate Development Co., Ltd. 天津愉景城置業有限公司	Joint venture of the Group
Zhejiang Zhoushan Zhongzhou Real Estate Development Co., Ltd. 浙江舟山中軸置業有限公司	Associate of the Group
Xuzhou Jinbi Real Estate Development Co., Ltd. 徐州金碧房地產開發有限公司	Associate of the Group
Nanjing Baomao Real Estate Co., Ltd. 南京寶茂置業有限公司	Associate of the Group
Hangzhou Zhanxiang Industrial Co., Ltd. 杭州展驤實業有限公司	Associate of the Group
Changshu Shibao Real Estate Development Co., Ltd. 常熟世寶房地產開發有限公司	Associate of the Group
Quanzhou Shimao Shiyue Real Estate Co., Ltd. 泉州世茂世悅置業有限公司	Associate of the Group
Tianjin Hongyao Decoration Engineering Co., Ltd. 天津宏耀裝修工程有限公司	Associate of the Group
Jinhua Ruilin Real Estate Development Co., Ltd. 金華市瑞麟房地產開發有限公司	Associate of the Group
Zhenjiang Hengrun Real Estate Development Co., Ltd. 鎮江恒潤房地產開發有限公司	Associate of the Group
Wenzhou Wanju Real Estate Co., Ltd. 溫州萬聚置業有限公司	Associate of the Group
Yiwu Zhongyao Real Estate Development Co., Ltd. 義烏眾耀房地產開發有限公司	Associate of the Group
Quanzhou Shangquan Industrial Development Co., Ltd. 泉州市上泉實業發展有限公司	Associate of the Group
Suzhou Macalline Real Estate Co., Ltd 蘇州紅星美凱龍房地產開發有限公司	Associate of the Group
Shanghai Hukang Property Management Co., Ltd. 上海湖康企業管理有限公司	Associate of the Group
Shanghai Hubang Real Estate Development Co., Ltd. 上海湖邦房地產有限公司	Associate of the Group

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

(i) During the years ended 31 December 2018 and 2017, the Group had the following significant transactions with related parties:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Nature of transactions		
The Controlling Shareholders		
Sales of properties	**14,941**	–
Controlled by the ultimate controlling shareholder		
Rental income from related parties	**3,249**	2,349
Property management fee income	**725**	771
Purchase of office equipment and security intelligentisation system services from related parties	**31,531**	43,946
Hotel accommodation service fee charged by a related party	**2,294**	1,218
Joint ventures		
Sales of construction materials to joint ventures	**136,357**	68,242
Consultation services provided to joint ventures	**7,983**	34,058
Guarantees for borrowings of joint ventures	**822,500**	1,519,000

Certain close family members of Mr. Hoi Kin Hong who is the ultimate controlling shareholder of the Group, entered into sale and purchase agreements with various PRC subsidiaries of the Group. Of whom are mentioned above, Ms.Hoi Wa Fan is also a non-executive director.

The above transactions were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year.

(ii) Certain related parties have provided guarantees for the Group's bank borrowings of RMB3,502,866,000 as at 31 December 2018 (31 December 2017: bank borrowings of RMB2,399,356,000) (Note 23).

(iii) In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

Key management compensation is set out below:

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Key management compensation		
– Salaries and other employee benefits	**17,673**	14,735
– Pension costs	**1,536**	1,096
	19,209	15,831

(d) Balances with related parties

As at 31 December 2018, the Group had the following material balances with related parties:

	31 December	
	2018 **RMB'000**	2017 RMB'000
Amounts due from related parties included in other receivables (Note (iii)):		
Controlled by the ultimate controlling shareholder	**21,376**	21,376
Joint ventures	**5,243,081**	5,796,673
Associates	**3,191,771**	14
	8,456,228	5,818,063
Amounts due to related parties included in trade payables (Note (ii)):		
Controlled by the ultimate controlling shareholder	**11,678**	17,561
Joint ventures	**–**	1,278
	11,678	18,839
Amounts due to related parties included in other payables (Note (iii)):		
Controlled by the ultimate controlling shareholder	**495,065**	437,143
Joint ventures	**4,245,084**	3,327,941
Associates	**946,744**	743,515
	5,686,893	4,508,599
Amounts due to related parties included in contract liabilities (Note (i)):		
The Controlling Shareholders	**9,686**	6,570

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Balances with related parties (continued)

(i) Amounts due to related parties included in contract liabilities are mainly advance paid by the Controlling Shareholder for purchase of properties from the Group.

Amounts due from joint ventures included in trade receivables are mainly derived from construction materials sold to joint ventures.

(ii) Amounts due to related parties included in trade payables are mainly derived from purchase of office equipment and security intelligentisation system services, which are unsecured, interest-free and to be settled according to contract terms.

(iii) Amounts due from/to related parties included in other receivables/payables are cash advances in nature. Apart from amounts due from certain joint ventures with interest bearing (Note 12), others are unsecured, interest-free and receivable/repayable on demand.

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries of the Company at 31 December 2018 are set out below.

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
Powerlong Real Estate (BVI) Holdings Limited	British Virgin Islands 20 July 2007	Limited liability company	HK$100	100%	–	Investment holding in British Virgin Islands
Wide Evolution Limited	Hong Kong 11 February 2008	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Powerlong Real Estate (Hong Kong) Holdings Limited	Hong Kong 05 July 2007	Limited liability company	HK$1	100%	–	Investment holding in Hong Kong
Powerlong Land Development Limited	Hong Kong 03 October 2008	Limited liability company	HK$100	82%	18%	Investment holding in Hong Kong
上海寶龍物業管理有限公司 Shanghai Powerlong Property Management Co., Ltd.	the PRC 05 April, 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC
杭州寶龍房地產開發有限公司 Hangzhou Powerlong Real Estate Development Co., Ltd.	the PRC 14 December 2010	Limited liability company	RMB1,320,691,004	100%	–	Property development and property investment in the PRC
上海寶龍康晟房地產發展有限公司 Shanghai Powerlong Kangsheng Real Estate Development Co., Ltd.	the PRC 11 August 2011	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
重慶寶龍長潤置業發展有限公司 Chongqing Powerlong Real Estate Development Co., Ltd.	the PRC 28 October 2010	Limited liability company	RMB66,597,000	100%	–	Property development and property investment in the PRC
洛陽寶龍置業發展有限公司 Luoyang Powerlong Property Development Company Limited	the PRC 03 March 2006	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
寶龍集團(青島)置業發展有限公司 Powerlong Group (Qingdao) Property Development Co., Ltd.	the PRC 13 July 2006	Limited liability company	RMB660,000,000	100%	–	Property development, property investment and hotel operation in the PRC
寶龍星創實業（杭州）有限公司 Powerlong Xingchuang Industrial (Hangzhou) Co., Ltd	the PRC 21 June 2016	Limited liability company	USD149,424,383	42%	58%	Property development and property investment in the PRC
徐州寶信房地產開發有限公司 Xuzhou Baoxin Real Estate Development Co., Ltd.	the PRC 18 June 2010	Limited liability company	USD14,900,000	80%	20%	Property development and property investment in the PRC
寧波寶龍華展置業發展有限公司 Ningbo Powerlong Huazhan Real Estate Development Co., Ltd.	the PRC 13 January 2017	Limited liability company	RMB50,000,000	57%	43%	Property development and property investment in the PRC
新鄉寶龍置業發展有限公司 Xinxiang Powerlong Real Estate Development Co., Ltd.	the PRC 25 December 2007	Limited liability company	US$293,833,329	100%	–	Property development and property investment in the PRC
鎮江寶龍置業發展有限公司 Zhenjiang Powerlong Property Development Co., Ltd.	the PRC 09 November 2011	Limited liability company	RMB635,112,293	100%	–	Property development and property investment in the PRC
廈門寶龍實業有限公司 Xiamen Powerlong Industrial Development Co., Ltd.	the PRC 25 November 2013	Limited liability company	RMB300,000,000	100%	–	Property development and property investment in the PRC
上海寶龍展飛房地產開發有限公司 Shanghai Powerlong Zhanfei Real Estate Development Co., Ltd	the PRC 09 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development, property investment and hotel operation in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
晉江市晉龍實業發展有限公司 Jinjiang Jinlong Industrial Development Co., Ltd.	the PRC 20 December 2010	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
上海康睿房地產發展有限公司 Shanghai Kangrui Real Estate Development Co., Ltd	the PRC 27 January 2014	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
煙台寶龍置業發展有限公司 Yantai Powerlong Property Development Co., Ltd.	the PRC 06 June 2012	Limited liability company	RMB281,606,216	100%	–	Property development and property investment in the PRC
上海寶龍康駿房地產開發有限公司 Shanghai Powerlong Kangjun Real Estate Development Co., Ltd.	the PRC 30 July 2013	Limited liability company	RMB196,078,431	93%	7%	Property development and property investment in the PRC
阜陽寶龍展耀置業有限公司 Fuyang Powerlong Zhanyao Property Co., Ltd.	the PRC 29 August 2014	Limited liability company	RMB100,000,000	42%	58%	Property development and property investment in the PRC
上海寶龍睿承房地產開發有限公司 Shanghai Powerlong Ruicheng Real Estate Development Co., Ltd	the PRC 18 December 2015	Limited liability company	RMB335,000,000	82%	18%	Property development and property investment in the PRC
上海賢通置業有限公司 Shanghai Xiantong Real Estate Co. Ltd.	the PRC 21 February, 2012	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
青島寶龍置業發展有限公司 Qingdao Powerlong Real Estate Co. Ltd.	the PRC 24 November, 2009	Limited liability company	RMB139,832,933	100%	–	Property development and property investment in the PRC
安溪寶龍置業發展有限公司 Anxi Powerlong Real Estate Co. Ltd.	the PRC 27 January, 2010	Limited liability company	RMB52,500,000	85%	15%	Property development, property investment and hotel operation in the PRC
溫州寶信房地產開發有限公司 Wenzhou Baoxin Real Estate Co. Ltd.	the PRC 06 July, 2018	Limited liability company	RMB1,000,000	100%	–	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
常州寶龍置業發展有限公司 Changzhou Powerlong Real Estate Development Co., Ltd.	the PRC 30 June 2008	Limited liability company	RMB572,141,200	100%	–	Property development and property investment in the PRC
宿遷寶龍置業發展有限公司 Suqian Powerlong Real Estate Co. Ltd.	the PRC 10 December, 2007	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
蚌埠寶龍置業有限公司 Bengbu Powerlong Property Development Co., Ltd.	the PRC 21 February 2006	Limited liability company	RMB10,500,000	100%	–	Property development and property investment in the PRC
青島寶龍房地產發展有限公司 Qingdao Powerlong Real Estate Development Co., Ltd.	the PRC 21 November 2007	Limited liability company	RMB44,000,000	100%	–	Property development and property investment in the PRC
杭州華展房地產開發有限公司 Hangzhou Huazhan Real Estate Development Co., Ltd	the PRC 04 December 2013	Limited liability company	RMB1,000,000,000	100%	–	Property development and property investment in the PRC
鄭州茂龍企業管理諮詢有限公司 Zhengzhou Maolong Enterprise Management Consulting Co., Ltd.	the PRC 07 April 2005	Limited liability company	RMB289,000,000	100%	–	Property development and property investment in the PRC
福州寶龍房地產發展有限公司 Fuzhou Powerlong Real Estate Development Co., Ltd	the PRC 21 October 2003	Limited liability company	RMB66,104,400	100%	–	Property development and property investment in the PRC
上海寶龍富閩房地產開發有限公司 Shanghai Powerlong Fumin Real Estate Development Co., Ltd	the PRC 26 November 2015	Limited liability company	RMB100,000,000	100%	–	Property development and property investment in the PRC
杭州龍耀實業有限公司 Hangzhou Longyao industrial Co., Ltd.	the PRC 03 August 2017	Limited liability company	RMB981,036,000	82%	18%	Property development and property investment in the PRC
寧波寶龍華隅置業發展有限公司 Ningbo Baolong Huayu Real Estate Development Co., Ltd.	the PRC 13 June 2018	Limited liability company	RMB500,000,000	82%	18%	Property development and property investment in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
紹興豪湖房地產開發有限公司 Shaoxing Haohu Real Estate Development Co., Ltd	the PRC 25 October 2017	Limited liability company	RMB20,000,000	42%	58%	Property development and property investment in the PRC
無錫嘉禦置業有限公司 Wuxi Jiayu Real Estate Co., Ltd	the PRC 01 November 2017	Limited liability company	RMB200,000,000	67%	33%	Property development and property investment in the PRC
南通星龍房地產開發有限公司 Nantong Xinglong Real Estate Development Co., Ltd	the PRC 15 December 2017	Limited liability company	RMB850,000,000	41%	59%	Property development and property investment in the PRC
長影長流（海南）房地產開發有限公司 Changying Changliu (Hainan) Real Estate Development Co., Ltd	the PRC 03 April 2014	Limited liability company	RMB1,000,000	21%	79%	Property development and property investment in the PRC
杭州東輝置業有限公司 Hangzhou Donghui Real Estate Co. Ltd.	the PRC 19 February 2016	Limited liability company	–	41%	59%	Property development and property investment in the PRC
鹽城寶龍置業發展有限公司 Yancheng Powerlong Real Estate Development Co., Ltd.	the PRC 13 May 2008	Limited liability company	RMB204,924,000	100%	–	Property development and property investment in the PRC
上海寶龍英聚企業發展有限公司 Shanghai Powerlong Yingju Enterprise Development Co., Ltd.	the PRC 25 June 2012	Limited liability company	USD87,500,000	82%	18%	Investment holding in the PRC
上海商盛投資管理諮詢有限公司 Shanghai Shangsheng Management Consulting Co., Ltd.	the PRC 15 December 2010	Limited liability company	USD3,000,000	100%	–	Investment holding in the PRC
上海龍潛實業發展有限公司 Shanghai Longqian Industrial Development Co., Ltd.	the PRC 13 November 2013	Limited liability company	RMB10,000,000	82%	18%	Investment holding in the PRC
蘇州太倉寶龍大酒店有限公司 Suzhou Taicang Powerlong Hotel Co., Ltd.	the PRC 29 August 2006	Limited liability company	RMB80,000,000	100%	–	Hotel operation in the PRC

40 PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation/ establishment	Kind of legal entity	Nominal value of issued and fully paid share capital/paid-in capital	Attributable equity interest	Equity interests held by non-controlling interests	Principal activities and place of operations
上海寶龍實業發展有限公司 Shanghai Powerlong Industrial Development Co., Ltd.	the PRC 22 February 2010	Limited liability company	RMB4,183,562,245	100%	–	Investment holding in the PRC
寧波遠大實業投資有限公司 Ningbo Yuanda Industrial Investment Co., Ltd.	the PRC 23 August, 2011	Limited liability company	RMB200,000,000	90%	10%	Property development and property investment in the PRC
無錫譽恒資產經營管理有限公司 Wuxi Yuheng Asset Management Co. Ltd.	the PRC 28 October, 2013	Limited liability company	RMB37,707,200	100%	–	Property investment in the PRC
寧波湯仕瑪置業有限公司 Ningbo Tangshima Real Estate Co. Ltd.	the PRC 31 October, 2008	Limited liability company	USD61,643,836	90%	10%	Property development and property investment in the PRC
上海瑞龍投資管理有限公司 Shanghai Ruilong Investment Management Co., Ltd.	the PRC 08 June 2010	Limited liability company	RMB105,000,000	100%	–	Investment holding in the PRC
上海寶龍商業地產管理有限公司 Shanghai Powerlong Commercial Real Estate Management Co., Ltd.	the PRC 29 June, 2007	Limited liability company	RMB5,000,000	100%	–	Property management in the PRC

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available. The subsidiaries established in the PRC in the above list are limited liability companies.

41 CHANGE FROM JOINT VENTURES TO SUBSIDIARIES

On 1 January 2018 and 1 July 2018 the joint venture partners of Changying Group and Hangzhou Maohui and its subsidiary ("Maohui Group") have transferred the controlling rights of the jointly controlled projects to the Group respectively. The investments in Changying Group and Maohui Group are deemed as having been disposed of, and were remeasured to fair value at the date of deemed disposal, the resulting gains of RMB11,846,000 from the remeasurements are recognised in the profit or loss in accordance with HKFRS 3 – Business Combinations.

The following table summarises the remeasurement gains on the investments in the joint ventures, the fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the respective consolidation dates.

	Changying Group RMB'000	**Maohui Group** RMB'000	**Total** RMB'000
Carrying amounts of the Group's investments in respective entities	401,768	195,242	597,010
Fair value gains on the remeasurement of respective entities	4,100	7,746	11,846
Fair value of the investments in respective entities	405,868	202,988	608,856
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property and equipment	1,538	180	1,718
Properties under development	4,264,484	1,567,828	5,832,312
Trade and other receivables	5,145	2,092,978	2,098,123
Prepaid taxes	3,523	75,939	79,462
Prepayments	5,497	1,183	6,680
Cash and cash equivalents	4,204	133,501	137,705
Deferred income tax assets	–	6,420	6,420
Borrowings	–	(810,000)	(810,000)
Deferred income tax liabilities	(735,401)	(317,217)	(1,052,618)
Contract liabilities	–	(1,849,074)	(1,849,074)
Trade and other payables	(2,753,172)	(495,761)	(3,248,933)
Total identifiable net assets	795,818	405,977	1,201,795
Non-controlling interest	(389,950)	(202,989)	(592,939)
Identifiable net assets acquired	405,868	202,988	608,856
Goodwill	–	–	–

The acquired businesses contributed revenues of RMB2,591,890,000 and net profit of RMB410,480,000 to the Group for the period from the respective acquisition dates to 31 December 2018. If the acquisitions had occurred on 1 January 2018, consolidated revenue and consolidated profit of the Group for the year ended 31 December 2018 would have been RMB19,593,790,000 and RMB3,617,877,000 respectively.

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

Balance sheet of the Company

		31 December	
	Note	**2018 RMB'000**	2017 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries		**6,306,863**	6,306,863
Current assets			
Amounts due from subsidiaries		**15,228,209**	11,198,660
Financial assets at fair value through profit or loss		**26,928**	28,953
Restricted cash		**–**	2,037
Cash and cash equivalents		**234,772**	303,365
		15,489,909	11,533,015
Total assets		**21,796,772**	17,839,878
EQUITY			
Equity attributable to owners of the Company			
Share capital and share premium		**1,164,125**	2,066,162
Accumulated losses	(a)	**(275,269)**	(213,281)
Total equity		**888,856**	1,852,881
LIABILITIES			
Non-current liabilities			
Borrowings		**11,097,129**	8,421,554
Current liabilities			
Other payables and accruals		**320,923**	271,064
Amounts due to subsidiaries		**2,069,150**	1,745,287
Borrowings		**5,677,076**	5,549,092
Convertible bonds		**1,743,638**	–
		9,810,787	7,565,443
Total liabilities		**20,907,916**	15,986,997
Total equity and liabilities		**21,796,772**	17,839,878

The balance sheet of the Company was approved by the Board of Directors on 21 March 2019 and was signed on its behalf.

Hoi Kin Hong
Director

Hoi Wa Fong
Director

42 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

(a) Reserve movements of the Company

	Accumulated losses RMB'000
At 1 January 2017	(271,818)
Profit for the year	58,537
As at 31 December 2017	(213,281)
At 1 January 2018	**(213,281)**
Loss for the year	**(61,988)**
As at 31 December 2018	**(275,269)**

43 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director for the year ended 31 December 2018 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Total RMB'000
Executive directors					
Mr. Hoi Kin Hong	1,000	–	240	–	1,240
Mr. Hoi Wa Fong	770	16	240	–	1,026
Mr. Xiao Qing Ping	640	26	240	114	1,020
Ms. Shih Sze Ni	520	16	240	–	776
Mr. Zhang Hong Feng	640	96	240	40	1,016
Non-executive directors					
Ms. Hoi Wa Fan	–	–	160	–	160
Independent non-executive directors					
Mr. Ngai Wai Fung	–	–	260	–	260
Mr. Mei Jian Ping	–	–	260	–	260
Mr. Ding Zu Yu	–	–	260	–	260
	3,570	154	2,140	154	6,018

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (continued)

The remuneration of each director for the year ended 31 December 2017 are set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking:

	Wages and salaries RMB'000	Retirement scheme contributions RMB'000	Fee RMB'000	Allowance and Benefit RMB'000	Share Award Scheme RMB'000	Total RMB'000
Executive directors						
Mr. Hoi Kin Hong	960	–	240	–	45	1,245
Mr. Hoi Wa Fong	720	14	240	–	36	1,010
Mr. Xiao Qing Ping	600	24	240	114	37	1,015
Ms. Shih Sze Ni	480	14	240	–	23	757
Mr. Zhang Hong Feng	600	87	240	40	8	975
Non-executive directors						
Ms. Hoi Wa Fan	–	–	144	–	–	144
Independent non-executive directors						
Mr. Ngai Wai Fung	–	–	240	–	–	240
Mr. Mei Jian Ping	–	–	240	–	–	240
Mr. Ding Zu Yu	–	–	240	–	–	240
	3,360	139	2,064	154	149	5,866

Note:

i) Emoluments above include estimated money value of non-cash benefits: share award scheme, car, insurance premium and club membership.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the year ended 31 December 2018 (2017: nil).

(c) Consideration provided to third parties for making available directors' services

For the year ended 31 December 2018, the Group did not pay consideration to any third parties for making available directors' services (2017: nil).

43 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of certain connected entities of Mr. Hoi Kin Hong, a director of the Company, is as follows:

Name of the borrower	Nature of connection	Total amount payable RMB'000	Outstanding/ aggregate outstanding amounts at the beginning of the year RMB'000	Outstanding/ aggregate outstanding amounts at the end of the year RMB'000	Maximum outstanding during the year RMB'000	Amounts/ aggregate amounts fallen due but not been paid RMB'000	Provisions/ aggregate provisions for doubtful/ bad debts made RMB'000	Term	Interest rate
At 31 December 2018:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		
At 31 December 2017:									
Powerlong Group Development Co., Ltd.	Ultimately controlled by Mr. Hoi	21,376	21,376	21,376	21,376	–	–	Unsecured, interest – free and repayable on demand	nil
Total		21,376	21,376	21,376	21,376	–	–		

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44 EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2019, the Company issued 9.125%, 2-year senior notes, with an aggregated principal amount of US$200,000,000 at 99.331% to the principal amount. The total net proceeds of the notes, after deduction of the issuance costs, amounted to approximately US$195,965,000 (equivalent to approximately RMB1,349,478,000).

On 21 January 2019, the Company issued 5.85%, 270 days short-term commercial paper, with an aggregated principal amount of RMB300,000,000 at 100.00% of the face value.

On 11 February 2019, the Company has redeemed the convertible bonds with an aggregated principal amount of RMB1,791,937,000.

On 5 March 2019, the Company issued 7.20%, 2-year corporate bonds (medium-term commercial paper) with an aggregate principal amount of RMB1,000,000,000 at 100.00% of the face value.

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